

Annual Financial Statements 2009/2010



**Mossel Bay
Municipality**

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

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GENERAL INFORMATION

| | |
|---|---|
| Mayoral Committee: | Alderlady M Ferreira (Executive Mayor) Councillor H Levendal (Executive Deputy Mayor and Chairperson, Community Services Committee) Clr Ms E Domingo (Chairperson, Corporate Services Committee) Clr J van der Merwe (Chairperson, Financial Services Committee) Alderman E Scheepers (Chairperson, Technical Services Committee) |
| Speaker: | Alderman N Lodewyks |
| Ward councillors: | 1 Clr R Skombingo (ANC) 3 Clr Ms N E Bobotyana (ANC) 5 Clr J J Gerber (DA) 7 Clr J van der Merwe (DA) 9 Clr A Platjies (DA) 11 Clr P A Du Plessis (DA) 2 Clr S P Maphisa (ANC) 4 Clr B Jacobs (ANC) 6 Alderman E Scheepers (DA) 8 Alderman N Lodewyks (DA) 10 Clr J Booyens (DA) 12 Clr W T Buda (ANC) |
| Proportional representative councillors: | Clr Ms M de Klerk (ANC) Alderlady M Ferreira (DA) Clr Ms N Giles (ACDP) Clr H Levendal (DA) Clr J M Cerff (ID) Clr K H Smit (DA) Clr Ms E Domingo (DA) Clr H Floors (DA) Clr O J Kumalo (DA) Clr Ms N C Lichaba (ANC) Clr Ms S Moodie (DA) |
| Auditors: | The Auditor-General Private Bag X1 CHEMPET, 7442 |
| Bankers: | NEDBANK |
| Municipal Manager: | Dr. M Gratz |
| Chief Financial Officer: | Mr. HF Botha |
| Registered Office: | Civic Centre 101 Marsh Street Mossel Bay 6506 |
| Postal address: | PO Box 25 Mossel Bay 6500 |
| Telephone: | (044) 606-5000 |
| Facsimile: | (044) 606-5123 |
| E-mail: | admin@mosselbaymun.co.za |
| Website: | http://www.mosselbaymun.co.za |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

CERTIFICATION BY MUNICIPAL MANAGER

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 84 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 28 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this act.

.....
Municipal Manager

.....
31/08/2010
Date

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

REPORT OF THE AUDITOR-GENERAL

The report of the Auditor-General will be added as soon as the 2009/10 audit process is completed.

MOSSEL BAY MUNICIPALITY

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REPORT OF THE CHIEF FINANCIAL OFFICER

1 INTRODUCTION

It gives me great pleasure to present the financial position of Mossel Bay Municipality at 30 June 2010 and the results of its operations and cash flows for the year then ended.

Mossel Bay Municipality has endured many challenges during the 2009/10 financial year, including the challenge of dealing with a drought situation. Many objectives have been achieved during the year in dealing with this specific challenge, including the completion of the Reverse Osmosis plant for the purification of effluent water at Hartenbos. The plant was built in less than five months and completed at the end of June 2010 to supply up to 5 megalitres of water a day.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

2 KEY FINANCIAL INDICATORS

The following are some of the key financial indicators, comparing the 2009/10 financial performance of the municipality to the 2008/09 comparative figures:

| RATIO DESCRIPTION | 2008/09 | 2009/10 |
|---|---------|---------|
| <u>REVENUE MANAGEMENT</u> | | |
| <i>Level of reliance on government grants</i> | 15.8% | 15.2% |
| <i>Actual income VS Budgeted income</i> | (5.0%) | 6.9% |
| <u>EXPENDITURE MANAGEMENT</u> | | |
| <i>Personnel costs to total expenditure</i> | 31.5% | 24.3% |
| <i>Actual expenditure VS Budgeted expenditure</i> | (14%) | 21.6% |
| <i>Interest paid as a percentage of total expenditure</i> | 0.2% | 0.2% |
| <i>Repairs and maintenance / Total expenditure</i> | 8.4% | 4.7% |
| <u>ASSET MANAGEMENT</u> | | |
| <i>Acquisition of PPE – Actual VS Budgeted**</i> | (6.5%) | (13.5%) |
| <i>Debtors collection period</i> | 65 days | 64 days |
| <i>Stockholding period</i> | 16 days | 15 days |
| <u>DEBT MANAGEMENT</u> | | |
| <i>Creditors payment period</i> | 29 days | 28 days |
| <i>Total liabilities / Total Assets</i> | 9.7% | 12.2% |

** Refer to Appendix E(2) for explanations on variances.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

3 OPERATING RESULTS

3.1 Summary of results

Details of the operating results per segmental classification are included in Appendix D, whilst operational results per category, together with an explanation of significant variances of more than 10 percent from the adjusted budget, are included in Appendix E(1).

| DESCRIPTION | Actual 2008/09 | Actual 2009/10 | Variance | Adjusted Budget 2009/10 | Variance |
|---|----------------------|----------------------|------------|-------------------------------|---------------|
| INCOME | | | | | |
| <i>Opening surplus/(deficit)</i> | 1 345 210 269 | 1 369 612 005 | 1.8% | | |
| <i>Operating income for the year</i> | 448 638 281 | 619 145 092 | 38.0% | 579 437 212 | 6.9% |
| <i>Gain on Disposal of PPE</i> | 125 766 | 9 897 430 | 7769.7% | 5 070 000 | |
| <i>Appropriations for the year</i> | 197 434 | 28 971 884 | | | |
| | 1 794 171 750 | 2 027 626 412 | 13% | 584 507 212 | 246.9% |
| EXPENDITURE | | | | | |
| <i>Operating expenditure for the year</i> | 405 020 474 | 634 389 424 | 56.6% | 521 526 744 | 21.6% |
| <i>Sundry transfers</i> | 19 151 988 | 5 489 832 | (71.3%) | | |
| <i>Surplus from discontinued operations</i> | - | - | | | |
| <i>Loss on Disposal of PPE</i> | 387 283 | 350 640 | (9.5%) | 50 000 | |
| <i>Closing surplus/(deficit)</i> | 1 369 612 005 | 1 387 396 515 | 1.3% | 62 930 468 | |
| | 1 794 171 750 | 2 027 626 412 | 13% | 584 507 212 | 246.9% |

The accumulated surplus as at 30 June 2010 amounted to R1 387,4 million. The accumulated surplus as at 30 June 2009 of R1 370,6 million was restated with previous year corrections of R5,5 million, amounting to R1 369,6 million. This indicates an increase of R17,8 million or 1,3% in the accumulated surplus from the 2008/09 financial year to the 2009/10 financial year.

The R5,5 million restatement of the previous year accumulated surplus is mainly due to the correction of the discounting on consumer deposits done in the 2008/09 financial year. However, consumer deposits is not a financial instrument in accordance with IAS 39 and should not be discounted.

The operating income increased with 38 percent to R619,1 million from the previous financial year income of R448,6 million. The main contributor to this is the revaluation adjustment on Investment property of R97,7 million and the increase in grants and subsidies as well as public contributions in order to fund the Reverse Osmosis plant project. The operating expenditure increased with 56,6 percent to R634,4 million, due to the impairment of Investment property to the value of R186,4 million.

The Municipality's financial statements ended on a deficit of R5,7 million. It must, however, be taken into account that the revaluation adjustment and impairment losses mentioned above are non-cash entries. It must also be taken into account that certain expenditures which was transferred through the Statement of Changes in Net Assets, while the expenditure was shown as an expenditure in the operational budget , for example:

- Contribution to Capital Replacement Reserve R36 200 000
- Transfer of External Services contributions R 2 824 663

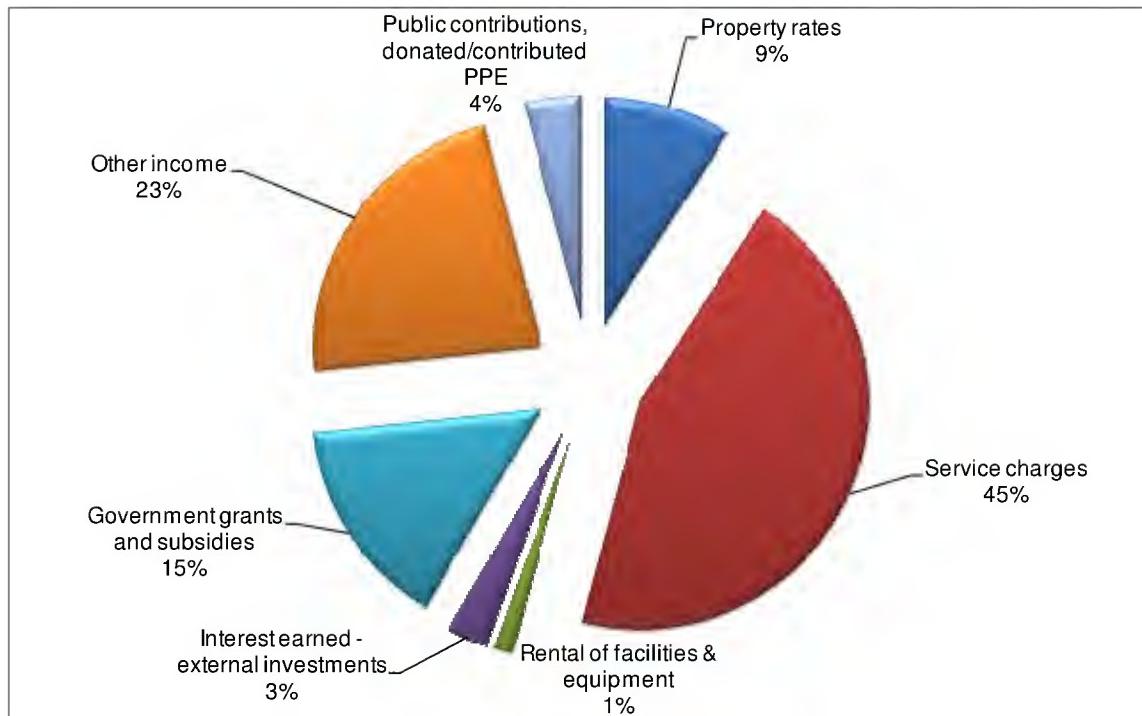
The above mentioned amounts are therefor not included in the gross income and expenditure amounts mentioned above. It is for these reasons that the surplus as shown in the Statement of Financial Performance cannot be compared with the budgeted surplus.

MOSSEL BAY MUNICIPALITY

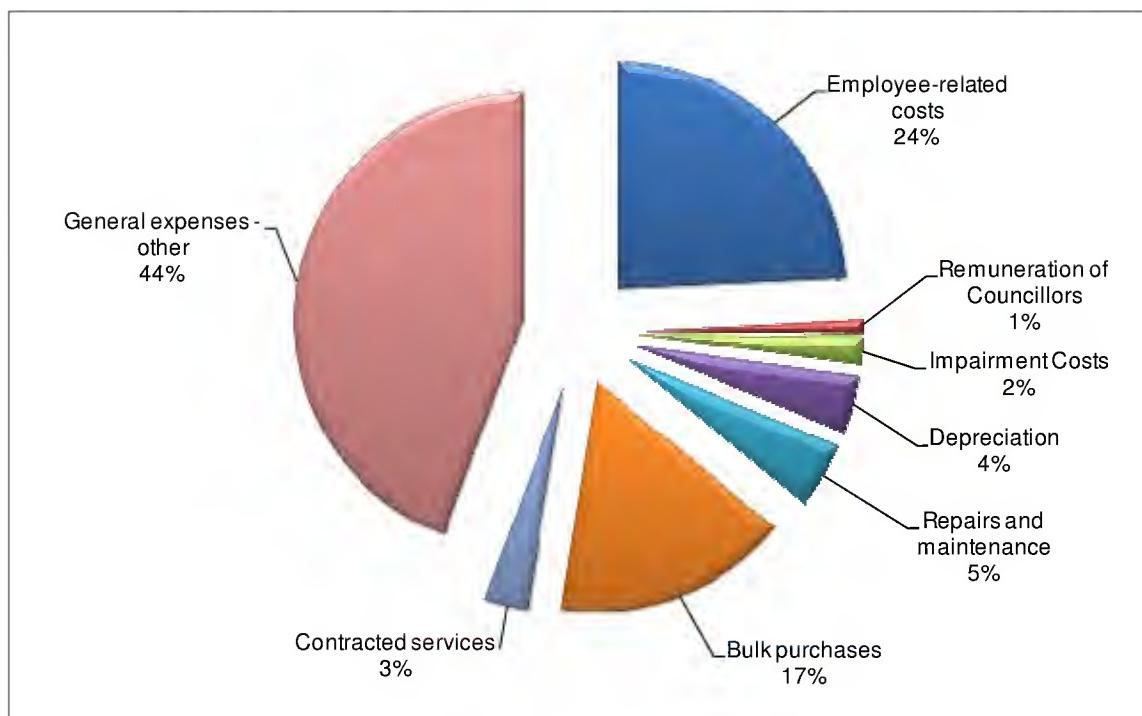
Annual Financial Statements for the year ended 30 June 2010

3.2 Operating Revenue and Expenditure

The following graph indicates the municipality's major revenue sources for the year under review:



The following graph indicates the municipality's major types of expenditure for the year under review:



MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

3.3 Rates and General services

| DESCRIPTION | Actual 2008/09 | Actual 2009/10 | Variance | Adjusted Budget 2009/10 | Variance |
|---|---------------------|----------------------|----------|-------------------------------|---------------|
| Income | 230 231 742 | 325 056 941 | 41.2% | 271 724 556 | 19.6% |
| Expenditure | 241 744 689 | 450 458 771 | 86.3% | 322 164 836 | 39.8% |
| Surplus/(deficit) | (11 512 947) | (125 401 830) | | (50 440 280) | 148.6% |
| Surplus/(deficit) as % of total income | | | | | |
| | (5.0%) | (38.6%) | | (18.6%) | |

Variance from 2008/09 actual:

The deficit with regards to Rates and other General services amount to R125 401 830 for the 2009/10 financial year, which is due to the Impairment/Revaluation of Investment property. This is also why there is such big increases in income and expenditure totals from the previous year.

Variance from 2009/10 budget:

The above-mentioned Impairment/Revaluation of Investment property was not budgeted for.

3.4 Trading services

Council purchases electricity in bulk from Eskom and then redistributes it to the consumers. The tariffs of electricity are considered together with all other tariffs during the compilation of the operational budget. Any increase in electricity tariffs must be approved by the National Electricity Regulator before Council can implement it. Eskom normally adjusts its tariffs in January of every year but Council endeavours to limit its increase to only one increase during July every year.

Council has some of its own water sources of which the Ernest Robertson Dam is the largest. Council also purchases water from the Department of Water Affairs, which is then supplied from the Klipheuwel Dam and the Wolwedans Dam.

3.4.1 Electricity

| DESCRIPTION | Actual 2008/09 | Actual 2009/10 | Variance | Adjusted Budget 2009/10 | Variance |
|---|-------------------|-------------------|--------------|-------------------------------|----------------|
| Income | 154 152 422 | 190 099 315 | 23.3% | 205 003 739 | (7.3%) |
| Expenditure | 116 840 710 | 136 059 713 | 16.4% | 143 739 291 | (5.3%) |
| Surplus/(deficit) | 37 311 712 | 54 039 602 | 44.8% | 61 264 448 | (11.8%) |
| Surplus/(deficit) as % of total income | | | | | |
| | 24.2% | 28.4% | | 29.9% | |

Variance from 2008/09 actual:

The Electricity service shows a surplus for both the 2008/09 and the 2009/10 financial years, with an increase of 44,8 percent between the two years. The surplus of R54 million for the 2009/10 financial year represents a profit percentage of 28,4 percent, whereas a 24,2 profit percentage was realised in the 2008/09 financial year.

Variance from 2009/10 budget:

The total actual income is 7,3 percent lower than the budgeted amount of R205 million for the 2009/10 financial year, whilst the expenditure is 5,3 percent less than the budgeted amount of R143,7 million.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

The following table shows the information regarding Electricity distribution:

| ELECTRICITY DISTRIBUTION | 2008/09 Financial year | 2009/10 Financial year |
|---|------------------------|------------------------|
| <i>Units Purchased (Kwh)</i> | 307 403 704 | 287 022 603 |
| <i>Purchase price per kwh</i> | 25,72 cent | 34 cent |
| <i>Units Sold (Kwh)</i> | 284 372 556 | 257 585 450 |
| <i>Free Units</i> | 7 681 610 | 7 912 380 |
| <i>Units lost during distribution (Kwh)</i> | 15 349 538 | 21 524 773 |
| <i>Percentage lost during distribution</i> | 4.99 % | 7.5 % |
| <i>Net purchase cost (per unit)</i> | 25,72 cent | 34 cent |
| <i>Total cost per unit</i> | 29,21 cent | 39,65 cent |
| <i>Net sales per unit</i> | 54,45 cent | 66 cent |
| Total income | R159 033 398 | R174 182 783 |

3.4.2 Water

| DESCRIPTION | Actual 2008/09 | Actual 2009/10 | Variance | Adjusted Budget 2009/10 | Variance |
|---|-------------------|-------------------|---------------|-------------------------|--------------|
| Income | 64 254 116 | 103 988 836 | 61.8% | 102 708 917 | 1.2% |
| Expenditure | 46 435 074 | 47 870 940 | 3.1% | 55 622 617 | (13.9%) |
| Surplus/(deficit) | 17 819 042 | 56 117 896 | 214.9% | 47 086 300 | 19.2% |
| Surplus/(deficit) as % of total income | 27.7% | 54% | | 45.8% | |

Variance from 2008/09 actual:

The Water service shows a surplus for both the 2008/09 and the 2009/10 financial year. The surplus of R56,1 million for the 2009/10 financial year represents a profit percentage of 54 percent, whereas a 27,7 profit percentage was realised in the 2008/09 financial year.

Variance from 2009/10 budget:

The total actual income is 1,2 percent more than the budgeted amount of R102,7 million for the 2009/10 financial year, whilst the expenditure is 13,9 percent less than the budgeted amount of R53,1 million.

The following table shows the information regarding Water distribution:

| WATER DISTRIBUTION | 2008/09 Financial year | 2009/10 Financial year |
|---|------------------------|------------------------|
| <i>Mega litres Purified</i> | 9 790 | 6 471 |
| <i>Mega litres Sold</i> | 8 328 | 5 076 |
| <i>Mega litres Lost during distribution</i> | 1 462 | 1 395 |
| <i>Percentage lost during distribution</i> | 14.93% | 21.56% |

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4 CAPITAL EXPENDITURE AND FINANCING

The capital expenditure during the year as stated in the financial statements amounted to R146 779 161 and was financed as follows:

| SERVICE AREA | 2009/10 Actuals | % of Total Capital Expenditure |
|--------------------------------------|-----------------|--------------------------------|
| Community services/facilities | 8 025 867 | 5.5% |
| Electricity | 25 457 353 | 17.3% |
| Housing | 1 766 254 | 1.2% |
| Refuse | 1 239 950 | 0.8% |
| Sanitation | 13 832 867 | 9.4% |
| Streets and Storm water | 31 497 563 | 21.5% |
| Water | 59 380 238 | 40.5% |
| Other | 5 579 070 | 3.8% |
| TOTAL | 146 779 161 | 100.0% |

The capital expenditure was financed as follows:

| SOURCE OF FINANCE | 2009/10 Actuals | % of Total Capital Funding |
|------------------------------------|-----------------|----------------------------|
| Capital Replacement Reserve | 76 578 974 | 52.2% |
| Grants and Subsidies | 45 264 792 | 30.8% |
| Public contributions | 23 520 467 | 16.0% |
| Other | 1 414 928 | 1.0% |
| TOTAL | 146 779 161 | 100.0% |

Property, Plant and Equipment is funded to a great extent from the Capital Replacement Reserve as the Municipality does have the financial resources to finance infrastructure capital expenditure from its own funds. The increase in funding from Grants as well as Public Contributions is due to the funds made available for the Reverse Osmosis Plant project which was finished at the end of June 2010. The municipality received grant funding to the amount of R16,5 million and funding from PetroSA to the amount of R22,5 million towards this project.

5 CAPITAL REPLACEMENT RESERVE

The balance of the Capital Replacement Reserve as at 30 June 2010 amounted to R74 208 578 (R101 808 566 as at 30 June 2009).

The Capital Replacement Reserve replaces the previous statutory funds, e.g. the Consolidated Capital Development and Loans Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability thereof, are made annually to the reserve.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to the Statement of Changes in Net Assets for more detail.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

6 EXTERNAL LOANS, INVESTMENTS AND CASH

On 30 June 2010 the outstanding external loans amounted to R3 776 793 (R4 899 619 in 2009). Annuity loans to the amount of R239 973, stock loans of R67 766 and leases to the amount of R1 549 982 were redeemed during this financial year.

Council's cashbook showed a negative balance of R8 270 712 and Petty Cash to the amount of R13 980 on 30 June 2010. The bank account showed a positive balance of R8 269 246 with external investments amounting to R187 million against R203 million of the previous year.

More particulars regarding external loans and investments appear in Notes 4 and 21 to the Annual Financial Statements, as well as Appendix A.

7 FUNDING OPTIONS OF INVESTMENT PORTFOLIO

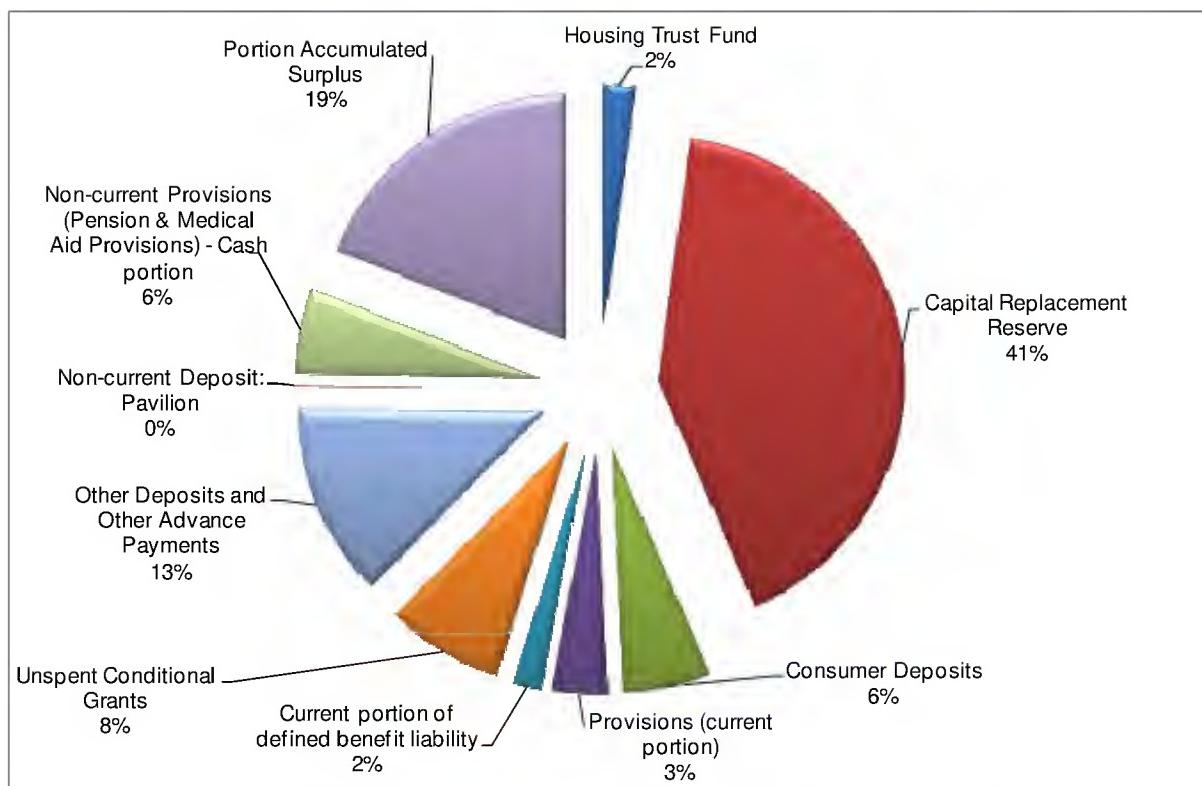
The table below shows the allocation of the investment portfolio towards the funding of various obligations.

| Allocation of Cash | | |
|--|------------|-------------|
| Investments | | - |
| Bank Balances and Cash | | 187,013,980 |
| Less: Bank Overdraft | | 187,013,980 |
| | | 8,270,712 |
| | | 178,743,268 |
| Allocated to: | | |
| Housing Trust Fund | 3,703,705 | |
| Capital Replacement Reserve | 74,208,578 | |
| Consumer Deposits | 10,161,299 | |
| Provisions (current portion): | 6,425,326 | |
| Rehabilitation of Landfill sites | 553,584 | |
| Clearing of Alien Vegetation | 1,700,000 | |
| Pension Fund Investment Shortfall | 4,171,742 | |
| Current portion of defined benefit liability | 3,334,688 | |
| Post Retirement benefits | 2,427,513 | |
| Long service awards | 907,175 | |
| Unspent Conditional Grants | 13,753,518 | |
| Other Deposits and Other Advance Paymer | 22,770,946 | |
| Retentions | 10,791,183 | |
| Payments Received in Advance | 6,008,379 | |
| Other Deposits | 5,971,384 | |
| Non-current Deposit: Pavilion | 212,257 | |
| Non-current Provisions (Pension & Medical Aid Provisions) - Cash portion | 10,115,941 | |
| Post Retirement benefits | 7,959,334 | |
| Long service awards | 498,944 | |
| Clearing of Alien Vegetation | 1,057,663 | |
| Rehabilitation of Landfill sites | 600,000 | |
| Portion Accumulated Surplus | 34,057,010 | 178,743,268 |
| | | - |

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Annual Financial Statements for the year ended 30 June 2010

The graph below shows the percentage allocation of the investment portfolio towards the funding of various obligations:



8 NON-CURRENT PROVISIONS

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Non-current provisions amounted to R1 657 663 as at 30 June 2010 (R2 781 125 as at 30 June 2009) and is made up as follows:

| | |
|----------------------------------|--------------------|
| Rehabilitation of Landfill Sites | R 600 000 |
| Clearing of Alien Vegetation | <u>R 1 057 663</u> |
| | <u>R 1 657 663</u> |

Refer to Note 5 of the Annual Financial Statements for more detail.

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9 EMPLOYEE BENEFITS

These liabilities are in order to enable the municipality to be in a position to fulfil its known legal obligations with regards to employee benefits when they become due and payable.

The Employee benefits liability amounted to R78 885 677 as at 30 June 2010 (R66 290 455 as at 30 June 2009) and is made up as follows:

| | |
|--------------------------------------|---------------------|
| Post Employment Health Care Benefits | R 72 515 056 |
| Ex-Gratia Pensioners | R 814 207 |
| Long Service Awards | R 5 556 414 |
| | <u>R 78 885 677</u> |

Refer to Note 6 of the Annual Financial Statements for more detail.

10 CURRENT LIABILITIES

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations. Current Liabilities amounted to R121 940 636 as at 30 June 2010 (R86 626 038 as at 30 June 2009) and is made up as follows:

| | | |
|--|---------|---------------------|
| Consumer deposits | Note 8 | R 10 161 299 |
| Provisions | Note 9 | R 6 425 326 |
| Current portion of Employee benefits | Note 6 | R 3 334 688 |
| Trade and other Payables | Note 10 | R 75 888 671 |
| Unspent conditional grants and receipts | Note 11 | R 13 753 518 |
| Taxes | Note 12 | R 2 314 520 |
| Bank overdraft | Note 21 | R 8 270 712 |
| Operating Lease Liability | Note 22 | R 110 907 |
| Current portion of long-term liabilities | Note 4 | R 1 660 867 |
| | | <u>R121 940 636</u> |

11 CURRENT ASSETS

Current Assets amounted to R278 808 250 as at 30 June 2010 (R270 119 928 as at 30 June 2009) and is made up as follows:

| | | |
|--|---------|---------------------|
| Inventory | Note 17 | R 12 018 074 |
| Trade receivables from Exchange | Note 18 | R 36 088 455 |
| Other receivables from Non-Exchange | Note 19 | R 43 170 071 |
| Current portion of long-term receivables | Note 16 | R 409 954 |
| Cash and Cash Equivalents | Note 21 | R187 013 980 |
| Operating Lease Assets | Note 22 | R 107 717 |
| | | <u>R278 808 250</u> |

The investment deposits of R187 million (included in Cash and Cash Equivalents) are ring-fenced for the purposes of the Capital Replacement Reserve, Unspent Conditional Grants and the repayment of the current portion of Long-term.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

12 TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS

The net balance of Trade and Other receivables from Exchange transactions is indicated below:

| DEBTOR | As at 30 June 2010 | As at 30 June 2009 | Variance |
|------------------------------|-----------------------|-----------------------|----------------|
| Service debtors: | 34 882 022 | 29 681 891 | 17.5% |
| - Electricity | 10 616 158 | 10 238 375 | 3.7% |
| - Water | 9 240 010 | 7 605 921 | 21.5% |
| - Refuse | 3 667 887 | 2 999 907 | 22.3% |
| - Sewerage | 11 357 967 | 8 837 688 | 28.5% |
| Debt pack collections | 2 308 | 5 474 | (57.8%) |
| Land Sales | 3 539 | 6 379 | (44.5%) |
| Housing instalments | 588 942 | 559 456 | 5.3% |
| Housing rentals | 234 450 | 246 097 | (4.7%) |
| Other | 377 195 | 241 611 | 56.1% |
| TOTAL | 36 088 455 | 30 740 908 | 17.4% |

The net balance of Other receivables from Non-Exchange transactions is indicated below:

| DEBTOR | As at 30 June 2010 | As at 30 June 2009 | Variance |
|-----------------------|-----------------------|-----------------------|---------------|
| Rates | 6 807 719 | 5 303 691 | 28.4% |
| Accrued Income | 4 655 571 | 12 952 311 | (64%) |
| Other | 31 706 780 | 6 271 275 | 405.6% |
| TOTAL | 43 170 070 | 24 527 278 | 76% |

The municipality has during the financial year written off bad debts to the amount of R10 135 596.

13 EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Deputy Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Directors for the support extended during the financial year. A special word of thanks to all staff that assisted with the collation of year-end information, for without their valuable contributions and assistance these Annual Financial Statements would not have been possible.



HF BOTHA
B. Com. AIMTR (S.A.)
CHIEF FINANCIAL OFFICER

Date: 31 August 2010

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

| | Note | 2010 R | 2009 R |
|--|------|---------------------|---------------------|
| NET ASSETS AND LIABILITIES | | | |
| Net assets | | | |
| Housing development fund | 2 | 8 482 344 | 9 854 239 |
| Reserves | 3 | 74 208 578 | 101 808 566 |
| Capital replacement reserve | | 74 208 578 | 101 808 566 |
| Accumulated surplus/(deficit) | | 1387 396 515 | 1364 122 173 |
| Non-current liabilities | | | |
| Long-term liabilities | 4 | 2 095 799 | 2 995 017 |
| Non-current provisions | 5 | 1 657 663 | 2 781 125 |
| Employee benefits | 6 | 78 885 677 | 66 290 455 |
| Non-current deposits | 7 | 212 257 | 202 289 |
| Current liabilities | | | |
| Consumer deposits | 8 | 10 161 299 | 9 468 865 |
| Provisions | 9 | 6 425 326 | 1 940 000 |
| Current portion of Employee benefits | 6 | 3 334 688 | 2 732 473 |
| Trade and other payables | 10 | 75 888 671 | 52 713 405 |
| Unspent conditional grants and receipts | 11 | 13 753 518 | 14 361 827 |
| Taxes | 12 | 2 314 520 | 2 326 786 |
| Bank overdraft | 21 | 8 270 712 | 1 098 895 |
| Operating Lease Liability | 22 | 110 907 | 79 185 |
| Current portion of long-term liabilities | 4 | 1 680 995 | 1 904 602 |
| Total Net Assets and Liabilities | | 1674 879 468 | 1634 679 903 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 980 453 150 | 859 739 551 |
| Intangible Assets | 14 | 287 262 | 441 734 |
| Investment Property | 15 | 413 143 373 | 503 157 653 |
| Long-term receivables | 16 | 2 187 433 | 1 221 037 |
| Investments | 20 | - | - |
| Current assets | | | |
| Inventory | 17 | 12 018 074 | 11 206 726 |
| Trade and other receivables from Exchange transactions | 18 | 36 088 455 | 30 740 908 |
| Other receivables from non-exchange transactions | 19 | 43 170 071 | 24 527 278 |
| Current portion of long-term receivables | 16 | 409 954 | 523 929 |
| Cash and Cash equivalents | 21 | 187 013 980 | 203 013 980 |
| Operating Lease Assets | 22 | 107 717 | 107 108 |
| Total Assets | | 1674 879 468 | 1634 679 903 |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

| Budget | | | | Note | Actual | | | |
|--|------------------------|---|---|------|-------------------------|---|-----------------------|--|
| 2009 | 2010 | R | R | | 2010 | R | 2009 | |
| Continued operations | | | | | | | | |
| REVENUE | | | | | | | | |
| Revenue from Non-exchange Transactions | | | | | | | | |
| <i>Taxation revenue</i> | | | | | | | | |
| Property rates | | | | | | | | |
| 133 907 276 | 198 785 818 | | | 23 | 177 121 263 | | 129 234 117 | |
| 44 749 827 | 54 711 495 | | | | 54 986 604 | | 44 142 322 | |
| 44 749 827 | 54 711 495 | | | | 54 966 604 | | 44 142 322 | |
| 85 081 241 | 141 005 172 | | | | 119 426 360 | | 73 555 776 | |
| 81 052 058 | 138 388 682 | | | 25 | 94 046 805 | | 70 981 263 | |
| 4 029 183 | 2 616 490 | | | | 25 379 555 | | 2 574 513 | |
| 4 076 208 | 3 069 151 | | | | | | | |
| 4 076 208 | 3 069 151 | | | | 2 728 299 | | 11 536 019 | |
| - | - | | | | 2 644 440 | | 4 910 305 | |
| 338 414 355 | 380 651 394 | | | | 83 859 | | 8 625 714 | |
| 2 212 540 | 1 570 000 | | | | | | | |
| 253 332 606 | 292 485 594 | | | 24 | 442 023 829 | | 319 404 164 | |
| 1 741 264 | 8 771 727 | | | | 2 143 779 | | 2 083 719 | |
| 22 856 167 | 20 947 197 | | | | 283 375 367 | | 254 888 753 | |
| 1 296 | 510 | | | | 8 461 372 | | 8 109 944 | |
| 448 794 | 361 845 | | | | 18 488 515 | | 26 876 842 | |
| 4 062 321 | 4 232 546 | | | | 510 | | 1 296 | |
| 53 759 367 | 52 281 975 | | | | 353 715 | | 413 920 | |
| 472 321 631 | 579 437 212 | | | | 4 315 156 | | 4 241 681 | |
| | | | | | 124 885 416 | | 22 788 009 | |
| | | | | | | | | |
| | | | | | 619 145 092 | | 448 638 281 | |
| | | | | | | | | |
| EXPENDITURE | | | | | | | | |
| Employee related costs | | | | | | | | |
| 128 582 406 | 149 428 532 | | | 28 | 153 957 930 | | 127 640 232 | |
| 5 477 654 | 8 089 092 | | | 29 | 5 781 129 | | 5 427 079 | |
| 18 604 033 | 13 036 328 | | | 30 | 12 513 624 | | 12 332 565 | |
| 4 795 350 | 3 413 000 | | | | 3 362 747 | | 3 858 770 | |
| 7 571 387 | 29 843 561 | | | | 25 732 514 | | 22 913 742 | |
| 170 037 | 159 153 | | | | 154 471 | | 154 471 | |
| - | - | | | | 5 340 126 | | 1 410 476 | |
| 39 489 627 | 34 358 804 | | | | 29 781 327 | | 34 032 658 | |
| 436 374 | 660 001 | | | 31 | 994 701 | | 786 935 | |
| 88 212 000 | 114 904 343 | | | 32 | 105 502 690 | | 92 789 002 | |
| 20 785 413 | 21 035 022 | | | | 19 495 580 | | 19 230 387 | |
| 3 373 341 | 2 843 324 | | | 33 | 2 672 503 | | 3 010 247 | |
| 155 609 074 | 145 775 584 | | | 34 | 269 100 082 | | 81 433 911 | |
| 471 106 696 | 521 526 744 | | | | | | | |
| | | | | | 634 389 424 | | 405 020 474 | |
| 84 959 (420,159) | 5 070 000 (50,000) | | | | | | | |
| 879 735 | 62 930 468 | | | | 9 897 430 (350,640) | | 125 766 (387,283) | |
| | | | | | | | | |
| | | | | | (5, 697,542) | | 43 356 290 | |
| 879 735 | 62 930 468 | | | | | | | |
| | | | | | | | | |
| | | | | | (5, 697,542) | | 43 356 290 | |
| SURPLUS/(DEFICIT) FOR THE YEAR | | | | | | | | |
| Discontinued operations | | | | | | | | |
| Surplus for the year from discontinued operations | | | | | | | | |
| | | | | 35 | - | | - | |
| SURPLUS FOR THE YEAR | | | | | | | | |
| Refer to Appendix E(1) for explanations of variances | | | | | | | | |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

| | Housing development fund | Capital replacement reserve | Capitalisation reserve | Government grant reserve | Donations & public contribution reserve | Accumulated surplus/(deficit) | Total |
|--|--------------------------|-----------------------------|------------------------|--------------------------|---|-------------------------------|---------------------|
| 2009 | R | R | R | R | R | R | R |
| Balance at 1 July 2008 | 16 462 910 | 101 854 884 | (13 512 798) | 11 577 224 | (2 981 664) | 1345 210 269 | 1458 610 825 |
| Prior Year Adjustments (Note 36) | (6 473 054) | 15 500 | - | - | - | (14 234 751) | (20 692 305) |
| Change in accounting policy (Note 37) | - | - | 13 512 798 | (11 577 224) | 2 981 664 | (4 917 237) | - |
| Change in accounting estimate (Note 38) | - | - | - | - | - | - | - |
| Restated Balance at 1 July 2008 | 9 989 856 | 101 870 384 | - | - | - | 1326 058 281 | 1437 918 521 |
| Surplus/(deficit) for the year | | | | | | 43 356 290 | 43 356 290 |
| Transfer to CRR | | | | | | (69 942 882) | - |
| Proceeds on disposal | | 69 942 882 | | | | - | - |
| Contribution from CRR - purchase PPE | | (70 004 700) | | | | 70 004 700 | - |
| Transfer to FDR Government Grants Reserve | | | | | | - | - |
| Transfer to FDR Don. and Public Contri. Reserve | | | | | | - | - |
| Transfer to Housing Development Fund | | | | | | (14 940) | - |
| Transfer from Housing Development Fund | | | | | | 150 557 | 0 |
| Offsetting of depreciation | | | | | | - | - |
| Asset disposals | | | | | | (0) | (0) |
| Balance at 30 June 2009 | 9 854 240 | 101 808 566 | - | - | - | 1369 612 005 | 1481 274 811 |
| 2010 | | | | | | | |
| Prior Year Adjustments (Note 36) | | | | | | (5 489 832) | (5 489 832) |
| Change in accounting policy (Note 37) | | | | | | - | - |
| Change in accounting estimate (Note 38) | | | | | | - | - |
| Restated balance at beginning of the year | 9 854 240 | 101 808 566 | - | - | - | 1364 122 173 | 1475 784 979 |
| Surplus/(deficit) for the year | | | | | | (5 697 542) | (5 697 542) |
| Transfer to CRR | | | | | | (48 978 986) | - |
| Proceeds on disposal | | 48 978 986 | | | | - | - |
| Contribution from CRR - purchase PPE | | (76 578 974) | | | | 76 578 974 | - |
| Transfer to FDR Government Grants Reserve | | | | | | - | - |
| Transfer to FDR Don. and Public Contri. Reserve | | | | | | - | - |
| Transfer to Housing Development Fund | | | | | | (238 122) | - |
| Transfer from Housing Development Fund | | | | | | 1 610 017 | - |
| Offsetting of depreciation | | | | | | - | - |
| Asset disposals | | | | | | (0) | (0) |
| Balance at 30 June 2010 | 8 482 344 | 74 208 578 | - | - | - | 1387 396 515 | 1470 087 437 |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

| | Note | 2010 R | 2009 R |
|---|------|---------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts: | | | |
| Ratepayers | | 573 614 803 | 423 195 679 |
| Government | | 314 140 338 | 302 926 741 |
| Other | | 116 107 055 | 82 654 794 |
| | | 143 367 410 | 37 614 143 |
| Payments: | | | |
| Suppliers | | 569 644 055 | 354 940 446 |
| Employees | | 148 752 398 | 144 169 706 |
| Other | | 142 734 404 | 122 679 367 |
| Cash generated from/(utilised in) operations | 39 | 278 157 253 | 88 091 372 |
| | | 3 970 749 | 68 255 233 |
| Interest received | | 18 842 230 | 27 290 762 |
| Interest paid | | (994 701) | (786 935) |
| Net cash from operating activities | | 21 818 277 | 94 759 060 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of PPE | | (146 105 305) | (98 690 831) |
| Proceeds on disposal of PPE | | 11 217 265 | 697 576 |
| (Increase)/decrease in investment properties | | 90 014 280 | 60 000 |
| (Increase)/decrease in long-term receivables | 16 | 314 057 | 1 057 397 |
| Net cash from investing activities | | (44 559 703) | (96 875 857) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase in consumer deposits | 8 | 692 434 | 364 645 |
| New loans raised/(repaid) | | (1 122 825) | 111 361 |
| Net cash from financing activities | | (430 392) | 476 007 |
| Net increase / (decrease) in cash and cash equivalents | | (23 171 817) | (1 640 791) |
| Cash and cash equivalents at the beginning of the year | | 201 915 085 | 203 555 875 |
| Cash and cash equivalents at the end of the year | 21 | 178 743 268 | 201 915 085 |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 1: Accounting Policy

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless otherwise stated.

1.1 Basis of presentation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

The reporting framework is prescribed by the Accounting Standards Board (ASB) in Directive 5 of March 2009 (Revised in February 2010) and is summarised below.

The effective standards, in accordance with Directive 5 of the Accounting Standards Board, are summarised as follows:

| Reference | Topic |
|-------------------|---|
| GRAP 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statements |
| GRAP 3 | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 4 | The Effects of Changes in Foreign Exchange Rates |
| GRAP 5 | Borrowing Costs |
| GRAP 6 | Consolidated and Separate Financial Statements |
| GRAP 7 | Investments in Associates |
| GRAP 8 | Interests in Joint Ventures |
| GRAP 9 | Revenue from Exchange Transactions |
| GRAP 10 | Financial Reporting in Hyperinflationary Economies |
| GRAP 11 | Construction Contracts |
| GRAP 12 | Inventories |
| GRAP 13 | Leases |
| GRAP 14 | Events After the Reporting Date |
| GRAP 16 | Investment Property |
| GRAP 17 | Property, Plant and Equipment |
| GRAP 19 | Provisions, Contingent Liabilities and Contingent Assets |
| GRAP 100 | Non-current Assets Held for Sale and Discontinued Operations |
| GRAP 101 | Agriculture |
| GRAP 102 | Intangible Assets |
| IPSAS 20 | Related Party Disclosures |
| IFRS 3 (AC 140) | Business Combinations |
| IFRS 4 (AC 141) | Insurance Contracts |
| IFRS 6 (AC 143) | Exploration for and Evaluation of Mineral Resources |
| IFRS 7 (AC 144) | Financial Instruments: Disclosures |
| IAS 12 (AC 102) | Income Taxes |
| IAS 19 (AC 116) | Employee Benefits |
| IAS 32 (AC 125) | Financial Instruments: Presentation |
| IAS 39 (AC 133) | Financial Instruments: Recognition and Measurement |
| SIC – 21 (AC 421) | Income Taxes – Recovery of Revalued Non-Depreciable Assets |
| SIC – 25 (AC 425) | Income Taxes – Changes in the Tax Status of an Entity or its Shareholders |
| SIC – 29 (AC 429) | Service Concession Arrangements – Disclosures |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

| Reference | Topic |
|-------------------|---|
| IFRIC 2 (AC 435) | Members' Shares in Co-operative Entities and Similar Instruments |
| IFRIC 4 (AC 437) | Determining whether an Arrangement contains a Lease |
| IFRIC 9 (AC 442) | Reassessment of Embedded Derivatives |
| IFRIC 12 (AC 445) | Service Concession Arrangements |
| IFRIC 13 (AC 446) | Customer Loyalty Programmes |
| IFRIC 14 (AC 447) | IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| IFRIC 15 (AC 448) | Agreements for the Construction of Real Estate |
| IFRIC 16 (AC 449) | Hedges in a Net Investment in a Foreign Operation |

The following list of directives, interpretations and guidelines of the Standards of GRAP forms part of the GRAP reporting framework:

| Reference | Topic |
|-------------|--|
| Directive 1 | Repeal of Existing Transitional Provisions in, and consequential amendments to, Standards of GRAP |
| Directive 2 | Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions |
| Directive 3 | Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities |
| Directive 4 | Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities |
| Directive 5 | Determining the GRAP Reporting Framework |
| Directive 7 | The Application of Deemed Cost on the Adoption of Standards of GRAP |
| IGRAP 1 | Applying the Probability Test on Initial Recognition of Exchange Revenue |
| Guide 1 | Guideline on Accounting for Public Private Partnerships |

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

1.2 Presentation currency

These annual financial statements are presented in South African Rand and all amounts are rounded to the nearest Rand.

1.3 Going concern assumption

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

1.4 Comparative Information

Budget information in accordance with GRAP 1, has been included in the statement of financial performance and the notes to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Standards, Amendments To Standards And Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

| | |
|-----------------|--|
| GRAP 18 | Segment Reporting |
| GRAP 21 | Impairment of non-cash-generating assets |
| GRAP 23 | Revenue from Non-Exchange Transactions (Taxes and Transfers) |
| GRAP 24 | Presentation of Budget Information in Financial Statements |
| GRAP 25 | Employee Benefits |
| GRAP 26 | Impairment of cash-generating assets |
| GRAP 103 | Heritage Assets |
| GRAP 104 | Financial Instruments |

1.6 Foreign currency transactions

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.7 Housing Development Fund

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998 and which requires that the municipality maintain a separate housing operating account.

Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash backed and available funds are invested in accordance with the municipality's investment policy,
- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Housing,
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets,
- Any interest earned on the investments of the fund is disclosed as interest earned in the statement of financial performance,
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund if funds are available.

1.8 Reserves

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR) in terms of a decision by the Accounting Officer.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality,
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment and may not be used for the maintenance of these items,
- All cash proceeds from the sale of assets (including the sale of buildings and land) will be transferred from the Accumulated Surplus to the CRR via the statement of changes in net assets,
- All cash proceeds from developers contributions and payments received in respect of buyout of parking areas will be transferred from the Accumulated Surplus to the CRR via the statement of changes in net assets,
- The CRR is reduced and the accumulated surplus/(deficit) credited with an amount equal to the cost price of the asset purchased when the funds are utilised,
- The amounts transferred to the CRR are based on the Municipality's need to finance future capital projects. The Integrated Development Plan, the municipality's ability to raise external finance and the amount of government grants and subsidies that will be received in future will be taken into account in order to determine the annual contribution to the CRR,
- Annually a contribution equal to the depreciation of that financial year will be contributed from the accumulated surplus to the CRR. The Chief Financial Officer can decide on an increased contribution to the CRR at the closure of the financial records, if sufficient cash surpluses were generated through savings on expenditure or additional income sources during the year,
- The Chief Financial Officer can decide on a lesser contribution amount, but only if the cash income from Interest on Investments and Tariffs did not realise as budgeted for.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

1.9 Financial Instruments

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

1.9.1 Financial Assets

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Receivables
- Trade and Other Receivables from Exchange Transactions
- Other Receivables from Non-Exchange Transactions
- Current portion of Long-term Receivables
- Cash and Cash Equivalents
- Operating lease assets

The Municipality classifies its financial assets into the following categories:

- Loans and Receivables,
- Held to maturity, and
- Available for sale.

The classification depends on the purpose for which the financial assets were required.

The *Financial Assets* of the municipality are presently classified as follows:

| Type of Financial Asset | Classification in terms of IAS 39.09 |
|--|---|
| Long-term Receivables | Loans and receivables |
| Trade and Other Receivables from Exchange Transactions | Loans and receivables |
| Other Receivables from Non-Exchange Transactions | Loans and receivables |
| Current portion of Long-term Receivables | Loans and receivables |
| Cash and Cash equivalents | Loans and receivables |
| Operating lease assets | Loans and receivables |

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

1.9.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and Other Payables
- Bank Overdraft
- Current Portion of Long-term Liabilities
- Operating lease liabilities

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

There are two main categories of Financial Liabilities, based on how they are measured. Financial liabilities may be measured at:

- Fair value through profit or loss; or
- Not at fair value through profit or loss ('other financial liabilities').

Trade and Other Payables

Trade and Other payables are stated at their settlement value.

Accrued Leave Pay

Liability for annual leave is recognised as it accrues to employees. The accrual is based on the total accrued leave days at year-end.

1.9.3 Measurement

Financial Assets:

Held-to-maturity investments and loans-and-receivables are initially measured at fair value and subsequently measured at amortised cost. Financial assets are measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial Liabilities:

Financial liabilities are measured at amortised cost using the effective interest rate method where applicable.

1.9.4 Impairment of Financial Assets

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

1.9.5 De-recognition of Financial Instruments

1.9.5.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.9.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.9.6 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.10 Leases

1.10.1 The Municipality as Lessee

Amounts held under finance leases are initially recognised as assets of the Municipality at the lower of their fair value at the inception of the lease or the present value of the future minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

1.10.2 The Municipality as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.11 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, added to the costs of these assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets may be deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

1.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

1.13 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Performance.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

MOSSEL BAY MUNICIPALITY

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1.14 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

1.15 Employee Benefits

(a) *Pension obligations*

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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(b) Post Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its employees and retired employees of the municipality, and to their registered dependants. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

(c) Long Service awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries bi-annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

1.16 Trade and other Payables (Creditors)

Trade and other payables are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.

1.17 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.18 Accrued annual and performance bonuses

Liabilities for annual and performance bonuses are recognised as they accrue to employees.

Annual bonuses accrue to employees on an annual basis, based on the employee contract. Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions.

These accruals are an estimate of the amount due to staff as at the financial year end.

1.19 Unspent Conditional Grants and receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability - Unspent conditional grants. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

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- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

1.20 Taxes - Value Added Tax

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.21 Grant-in-aid (expense)

The municipality transfers money to individuals and organisations from time to time, based on merit. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction,
- Expect to be repaid in future, and
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events give rise to the transfer occurred.

1.22 Property, Plant and Equipment

1.22.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

All donated Property, Plant and Equipment is recognised at its fair value.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).

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If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.22.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.22.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives.

| | Years | | Years |
|-------------------------|--------|---------------------------------|-------|
| Infrastructure | | Other | |
| Roads | 13-113 | Buildings | 30 |
| Stormwater | 24-96 | Specialist vehicles | 10 |
| Electricity | 5-73 | Other vehicles | 5 |
| Water | 7-120 | Office equipment | 3-7 |
| Sewerage | 6-138 | Furniture and fittings | 7-10 |
| | | Watercraft | 15 |
| | | Bins and containers | 5 |
| | | Specialised plant and Equipment | 10-15 |
| Community | | Other plant and Equipment | 2-5 |
| Improvements | 30 | Landfill sites | 15 |
| Recreational Facilities | 20-30 | | |
| Security | 5 | | |

1.22.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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1.23 Investment Property

1.23.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.23.2 Subsequent Measurement – Fair Value

Subsequent to initial recognition investment properties are shown at fair value, based on periodic valuations by external independent valuers. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

1.23.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.24 Intangible Assets

1.24.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.24.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.24.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives:

| Intangible Assets | Years |
|--------------------------|--------------|
| Computer Software | 5 |

1.24.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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1.25 Non-Current Assets held for sale

1.25.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.25.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.26 Impairment of Tangible and Intangible Assets

At each Statement of Financial Position date the municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance, unless the asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a Revaluation Reserve increase.

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1.27 Inventories

1.27.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.27.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.28 Trade and other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

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1.29 Cash and Cash Equivalents

Cash includes cash on hand, call deposits and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, call deposits and net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised.

1.30 Revenue Recognition

Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity and water prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Service charges from sewerage and sanitation for residential and business properties are levied annually based on a fixed tariff.

Rentals are recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Interest earned on investments is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

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Revenue from the sale of goods is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The income for agency services recognised is commission in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the legal entitlement to this revenue arises. A calculation of fines to be received is made at year-end based on the average collection rate of the past three years.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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1.31 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.32 Unauthorised Expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,
- A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.33 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy and which has not been condoned in terms of such act or policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.34 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.35 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

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Notes 2 – 48: Other Notes to Annual Financial Statements

2. HOUSING DEVELOPMENT FUND

| | 2010 R | 2009 R |
|--|------------------|------------------|
| Balance at beginning of the year | 9 854 239 | 9 989 856 |
| Income | 238 122 | 14 940 |
| Land Sales | 27 251 | 7 440 |
| Housing Letting/Selling Scheme Loans | - | 7 500 |
| Interest on investments | 210 870 | - |
| Housing Debtors | - | - |
| Less: Expenditure | 1 610 017 | 150 557 |
| Funding Capital Projects | - | - |
| Funding Operating Projects | 1 610 017 | 150 557 |
| Total Housing Development Fund assets and liabilities | 8 482 344 | 9 854 239 |

3. RESERVES

| | | |
|-----------------------------|-------------------|--------------------|
| Capital Replacement Reserve | 74 208 578 | 101 808 566 |
| | <u>74 208 578</u> | <u>101 808 566</u> |

The Capital Replacement Reserve is fully funded and invested in ring-fenced financial instruments.

4. LONG-TERM LIABILITIES

| | | |
|------------------------------|-----------|-----------|
| Local registered stock loans | 604 044 | 656 484 |
| Annuity loans | 126 460 | 320 731 |
| Finance lease liability | 3 046 290 | 3 922 404 |
| Sub-total | 3 776 793 | 4 899 619 |

Less: Current portion transferred to current liabilities

| | | |
|------------------------------|------------------|------------------|
| Local registered stock loans | 1 680 995 | 1 904 602 |
| Annuity loans | 80 157 | 160 957 |
| Finance lease liability | 77 039 | 239 973 |
| | <u>1 523 799</u> | <u>1 503 671</u> |

Total Long-term Liabilities

Local registered stock loans:

Local registered stock loans bear interest at rates between 12 and 15 percent per annum and are repayable between one and eight years.

Annuity loans:

Annuity loans bear interest at NIL percent. One of these loans was fully redeemed in the 2009/10 financial year and the other will be redeemed in the 2012/13 financial year.

Finance lease liability:

Finance lease liabilities relate to vehicles and office equipment with lease terms not more than five years.

Finance leases bear interest at rates between 11 and 15 percent.

Finance lease liabilities are secured over the items of vehicles and office equipment leased.

Obligations under Finance leases:

Finance lease liabilities - Minimum capital lease payments:

| | | |
|---|------------------|------------------|
| No later than 1 year | 1 523 799 | 1 503 671 |
| Later than 1 year and no later than 5 years | 1 487 666 | 3 282 375 |
| Later than 5 years | - | - |
| | <u>3 011 465</u> | <u>4 786 046</u> |
| Future finance charges on finance leases | 34 825 | (863 642) |
| | <u>3 046 290</u> | <u>3 922 404</u> |

The present value of finance lease liabilities is as follows:

| | | |
|---|-----------|-----------|
| No later than 1 year | 1 523 799 | 1 503 671 |
| Later than 1 year and no later than 5 years | 1 522 491 | 2 418 733 |
| Later than 5 years | - | - |

Refer to Appendix A for more detail on long-term liabilities and the unamortised discount on these liabilities.

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| 5. NON-CURRENT PROVISIONS | 2010 R | 2009 R |
|---|------------------|------------------|
| Rehabilitation of Landfill sites | 1 153 584 | 621 000 |
| Clearing of Alien Vegetation | 2 757 663 | 4 100 000 |
| | <hr/> | <hr/> |
| Less: Transfer to Current Provisions | 2 253 584 | 1 939 875 |
| Rehabilitation of Landfill sites | 553 584 | 75 000 |
| Clearing of Alien Vegetation | 1 700 000 | 1 864 875 |
| | <hr/> | <hr/> |
| Total Non-Current Provisions | 1 657 663 | 2 781 125 |
| Rehabilitation of Landfill sites | 600 000 | 546 000 |
| Clearing of Alien Vegetation | 1 057 663 | 2 235 125 |

The movement in non-current provisions are reconciled as follows:

| 30 June 2010 | Alien Vegetation | Rehabilitation of Landfill Sites |
|---|------------------|----------------------------------|
| Balance at beginning of year | 2 235 125 | 546 000 |
| Contribution to provisions | - | 532 584 |
| Reduction in carrying amount of provision | (16 253) | - |
| Reversal of unused amounts from current provision | 538 791 | 75 000 |
| Transfer to current provision | (1 700 000) | (553 584) |
| Balance at end of year | 1 057 663 | 600 000 |

| 30 June 2009 | Alien Vegetation | Rehabilitation of Landfill Sites |
|---|------------------|----------------------------------|
| Balance at beginning of year | - | - |
| Contribution to provisions | 4 100 000 | 621 000 |
| Reduction in carrying amount of provision | - | - |
| Reversal of unused amounts from current provision | - | - |
| Transfer to current provision | (1 864 875) | (75 000) |
| Balance at end of year | 2 235 125 | 546 000 |

5.1 REHABILITATION OF LANDFILL SITES

Provision is made in terms of the Municipality's licensing stipulations of the landfill sites for the rehabilitation of these sites. The provision has been determined on the basis of a recent independent study. The payment dates of total closure and rehabilitation are uncertain, but are expected to be between 2011 and 2015.

5.2 CLEARING OF ALIEN VEGETATION

Provision is made in terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) for the clearing of alien vegetation as settlement of the obligations in respect of this Act.

6. EMPLOYEE BENEFITS

| | | |
|--|-------------------|-------------------|
| Post Employment Health Care Benefits | 74 831 908 | 62 153 859 |
| Ex-Gratia Pensioners | 924 867 | 899 085 |
| Long Service Awards | 6 463 589 | 5 969 984 |
| | <hr/> | <hr/> |
| Less: Transfer to Current liability | 3 334 688 | 2 732 473 |
| Post Employment Health Care Benefits | 2 316 852 | 1 895 700 |
| Ex-Gratia Pensioners | 110 661 | 109 148 |
| Long Service Awards | 907 175 | 727 625 |
| | <hr/> | <hr/> |
| Total Non-Current liability | 78 885 677 | 66 290 455 |
| Post Employment Health Care Benefits | 72 515 056 | 60 258 159 |
| Ex-Gratia Pensioners | 814 207 | 789 937 |
| Long Service Awards | 5 556 414 | 5 242 359 |

The movement in Employee benefits are reconciled as follows:

| 30 June 2010 | Post Empl Health care Benefits | Ex-Gratia Pensioners | Long Service Awards |
|---|--------------------------------|----------------------|---------------------|
| Balance at beginning of year | 62 153 859 | 899 085 | 5 969 984 |
| Contribution to provisions | 5 588 328 | 75 534 | 509 949 |
| Interest Cost | 4 042 131 | | 784 081 |
| Service cost & transitional liability | (2 233 539) | (108 749) | (716 588) |
| Benefit payments (Expenditure incurred) | 5 281 129 | 58 998 | (83 859) |
| Actuarial loss / (gain) | (2 316 852) | (110 661) | (907 175) |
| Transfer to current provision | | | |
| Balance at end of year | 72 515 056 | 814 207 | 5 556 414 |

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| | <u>Post Empl</u> | <u>Health care Benefits</u> | <u>Ex-Gratia Pensioners</u> | <u>Long Service Awards</u> |
|---|-------------------|-----------------------------|-----------------------------|----------------------------|
| 30 June 2009 | | | | |
| Balance at beginning of year | 62 958 269 | 1 003 461 | 4 346 643 | |
| Contribution to provisions | | | | |
| Interest Cost | 6 625 759 | 81 893 | 347 731 | |
| Service cost & transitional liability | 1 126 375 | | 388 192 | |
| Benefit payments (Expenditure incurred) | (2 011 518) | (105 581) | (523 059) | |
| Actuarial loss / (gain) | (6 545 026) | (80 688) | 1 410 476 | |
| Transfer to current provision | (1 895 700) | (109 148) | (727 625) | |
| Balance at end of year | 60 258 159 | 789 937 | 5 242 359 | |

DEFINED BENEFIT PLAN INFORMATION

6.1 POST EMPLOYMENT HEALTH CARE BENEFITS

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The Projected Unit Credit Method has been used to value the liabilities. The liability for in-service members is accrued over their expected working lifetimes. The expected remaining working-lifetime of eligible employees is 17.9 years.

| | 2010 | 2009 |
|--|------------|------------|
| The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows: | | |
| - In-service members | 461 | 471 |
| - Continuation members | 97 | 93 |
| Total | 558 | 564 |

The unfunded liability in respect of past service has been estimated as follows:

| | 2010 | 2009 |
|------------------------|-------------------|------------|
| R | | |
| - In-service members | 38 942 555 | 31 650 601 |
| - Continuation members | 35 889 353 | 30 503 258 |
| 74 831 908 | 62,153,859 | |

| | 2010 | 2009 |
|---|---------|---------|
| Summary of In-service members: | | |
| Number of Principal members | 481 | 471 |
| Proportion Male | 72% | 73% |
| Average age of members | 42.2 | 41.1 |
| Average past service | 10.0 | 8.2 |
| Average retirement subsidy in today's terms | R 1,217 | R 1,134 |

Summary of Continuation members:

| | | |
|------------------------------------|---------|---------|
| Number of Principal members | 97 | 93 |
| Proportion Male | 56% | 51% |
| Average age of members | 65.4 | 64.4 |
| Average Employer Contribution p.m. | R 1,985 | R 1,699 |

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- Hosmed;
- LA Health;
- Key Health;
- Samwuned.

6.1.1 Results of Valuation:

| | 2010 | 2009 |
|-----------------------------------|---------------|---------------|
| R'000 | | |
| In-service members | 38 943 | 31 651 |
| Continuation members | 35 889 | 30 503 |
| All members | 74 832 | 62 154 |
| Total Value of liabilities | 0.000 | 0.000 |
| Value of assets | | |
| Unfunded Accrued Liability | 74 832 | 62 154 |

The total liability has increased by 20% or R12.678 million since the last valuation.

The total in-service member liability has increased by 23% due to increases in the average age, increased in the average past service and the average future employer contribution has increased by more than expected. This has been offset by an increase in the net discount rate.

The total continuation member liability has increased by 18% due to an increase in the average employer contribution, offset by an increase in the average age and an increase in the net discount rate.

2) Current-Service and Interest Costs

| | | |
|---|------------------|------------------|
| Current-service Cost (In-service members) | 4 042 131 | 1 126 375 |
| Interest Cost (All members) | 5 588 328 | 8 625 759 |
| Total Cost | 9 630 459 | 7 752 134 |

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3) Actuarial gains and losses

| | | |
|--|------------------|--------------------|
| Actuarial (Gain)/Loss for the period | 5 281 129 | <u>(6 550 903)</u> |
| <u>Contribution to Actuarial Loss:</u> | | |
| Basis changes : Decrease in net discount rate | (6 799 136) | (3 363 134) |
| Benefits paid higher than expected | 337 839 | - |
| Contribution increases higher than assumed | 4 679 441 | 2 183 307 |
| Continuation member's genders different from assumed | 2 068 907 | - |
| Changes to Membership profile different from assumed | 4 994 078 | (5 371 078) |
| | <u>5 281 129</u> | <u>(6 550 903)</u> |

The genders of the continuation members were unknown in the previous valuation. In this valuation, actual genders were available. Using actual genders accounted for a large amount of the actuarial loss.

4) Past and Future Changes in the Accrued Liability

| | Year ending 30/06/2010 | Year ending 30/06/2011 | Year ending 30/06/2012 |
|----------------------------------|---------------------------|---------------------------|---------------------------|
| Opening Accrued Liability | 62 153 859 | 74 831 908 | 82 828 984 |
| Current-service Cost | 4 042 131 | 3 589 550 | 3 917 066 |
| Interest Cost | 5 588 328 | 6 724 378 | 7 446 579 |
| Contributions (Benefit payments) | (2 233 539) | (2 316 852) | (2 484 085) |
| Total Annual Expense | 7 396 920 | 7 997 076 | 8 879 560 |
| Actuarial Loss / (Gain) | 5 281 129 | - | - |
| Closing Accrued Liability | 74 831 908 | 82 828 984 | 91 708 544 |

6.1.2 Key actuarial assumptions used:

2010 2009

1) Key financial assumptions

i) Rate of interest

| | | |
|---------------------------------|-------|-------|
| Discount Rate | 9.12% | 9.13% |
| Health Care Cost Inflation Rate | 7.22% | 7.80% |
| Net Effective Discount Rate | 1.78% | 1.24% |

2) Key demographic assumptions

i) Mortality rates

The PA 90-1 ultimate Mortality table was used by the actuaries for post-retirement and the SA 85-90 Mortality table was used for current employment.

ii) Average retirement age

The average retirement age for employees of the municipality is 60 years.

iii) Withdrawal from service

If an in-service member leaves, the employer's liability in respect of that member ceases. A sample of the assumed withdrawal rates is as follows:

| Age | Females | Males |
|------|---------|-------|
| 20 | 24% | 16% |
| 30 | 15% | 10% |
| 40 | 6% | 6% |
| 50 | 2% | 2% |
| > 55 | 0% | 0% |

iv) Other assumptions

It is assumed that 95% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

It is also assumed that 95% of those in-service members who remain on the health care arrangements will be married at retirement. Further, it was assumed that in-service husbands will be four years older than their wives.

6.1.3 The amounts recognised in the Statement of Financial Position are as follows:

2010 2009
R R

| | | |
|---------------------------------------|-------------------|-------------------|
| Present value of fund obligations | 74 831 908 | 62 153 859 |
| Fair value of plan assets | - | - |
| Unfunded Accrued Liability | 74 831 908 | 62 153 859 |
| Unrecognised Transitional Liability | - | - |
| Unrecognised Past Service Cost | - | - |
| Unrecognised Actuarial Gains/(Losses) | - | - |
| Miscellaneous Item | - | - |
| Net liability | 74 831 908 | 62 153 859 |

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits*, paragraph 155(a).

6.1.4 The amounts recognised in the Statement of Financial Performance are as follows:

| | | |
|--|-------------------|------------------|
| Current service cost | 4 042 131 | 1 126 375 |
| Interest cost | 5 588 328 | 6 625 759 |
| Actuarial losses/ (gains) | 5 281 129 | (6 553 051) |
| Vested past service cost | - | - |
| Total included in employee related costs (Note 28) | <u>14 911 588</u> | <u>1 199 083</u> |

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6.1.5 History of Liabilities, Assets and Experience Adjustments

i) Present value of accrued liability and Fair value of plan assets

The accrued liabilities and the plan assets for the current and previous year is stated above under the amounts recognised in the Statement of Financial Position. At 30 June 2007 the accrued liabilities was R56 577 million and at 30 June 2008 it was R62 958 million.

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

| | 2010 R'000 | 2009 R'000 |
|--------------------------------|---------------|---------------|
| Plan liabilities (Gain) / Loss | 12 080 | 3 188 |
| Plan assets | - | - |

6.1.6 Sensitivity Analysis:

Sensitivity Analysis on the Unfunded Accrued Liability:

| Assumptions | Change | Liability (R'000) | % Change |
|---------------------------|--------|-------------------|----------|
| Central assumptions | | 74 832 | |
| Health Care inflation | +1% | 87 238 | 17% |
| Health Care inflation | -1% | 64 760 | -13% |
| Post-retirement mortality | -1 yrs | 77 153 | 3% |
| Average retirement age | -1 yrs | 77 956 | 4% |
| Withdrawal rate | -50% | 78 788 | 5% |

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30 June 2010:

| Assumptions | Change | Total (R'000) | % Change |
|---------------------------|--------|---------------|----------|
| Central assumptions | | 9 630 400 | |
| Health Care inflation | +1% | 11 512 500 | 17% |
| Health Care inflation | -1% | 8 140 000 | -13% |
| Post-retirement mortality | -1 yrs | 9 940 400 | 3% |
| Average retirement age | -1 yrs | 9 933 300 | 4% |
| Withdrawal rate | -50% | 10 520 400 | 5% |

6.2 EX GRATIA PENSIONERS

The Ex-Gratia Pensioner Benefit Plan is a defined benefit plan. As at 30 June 2010, 13 pensioners (14 pensioners as at 30 June 2009) were eligible for payments in terms of this plan.

The Municipality provides pension benefits to all employees that are not members of the Pension - or Provident Funds, that have completed at least 10 years of service at the Council and have reached the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by number of years of service, divided by 60.

All pensioners receive annually increasing monthly pension amounts until death. There is a 60% contingent pension payable to a spouse upon the pensioner's death.

The contribution rate payable is as follows:

For continuation members, the member contribution is 70% and the Council contribution is 30%. For current employees the contribution rate is 80/40.

6.2.1 Results of Valuation:

1) Accrued Liability

| | 2010 R | 2009 R |
|-----------------------------------|----------------|----------------|
| Total Value of liabilities | 924 867 | 899 085 |
| Value of assets | - | - |
| Unfunded Accrued Liability | 924 867 | 899 085 |

The total liability has increased by 3% or R25 781 due to the a decrease in the net discount rate and increase in the average annual pension. This has been partly offset by an increase in the average age.

2) Current-Service and Interest Costs

| | | |
|----------------------|--------|--------|
| Total Interest Costs | 72 919 | 75 534 |
|----------------------|--------|--------|

Actuaries are of opinion that there is no Current-service Cost as there are no in-service members eligible for ex-gratia pension benefits.

3) Actuarial gains and losses

| | | |
|--------------------------------------|--------|-----------|
| Actuarial (Gain)/Loss for the period | 58 998 | (72 683) |
|--------------------------------------|--------|-----------|

Contribution to Actuarial Loss:

| | | |
|--|---------------|------------------|
| Basis changes | 15 323 | (84 455) |
| Benefits paid lower than expected | (397) | 52 717 |
| Changes to Membership profile different from assumed | 44 072 | (40 925) |
| | 58 998 | (72 683) |

There has been a membership loss due to slightly different date of birth information than as at the previous valuation, as well as more information about the existence of spouses than as at the previous valuation. This has been partially offset by the exit of Mr Olivier.

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4) Past and Future Changes in the Accrued Liability

| | Year ending 30/06/2010 | Year ending 30/06/2011 | Year ending 30/06/2012 |
|----------------------------------|---------------------------|---------------------------|---------------------------|
| Opening Accrued Liability | 899 085 | 924 867 | 887 124 |
| Current-service Cost | - | - | - |
| Interest Cost | 75 534 | 72 919 | 65 878 |
| Benefit payments | (108 749) | (110 661) | (113 453) |
| Total Annual Expense | (33 215) | (37 742) | (47 575) |
| Actuarial Loss / (Gain) | 58 997 | - | - |
| Closing Accrued Liability | 924 867 | 887 125 | 839 549 |

6.2.2 Key actuarial assumptions used:

1) Key financial assumptions

i) Rate of Interest

| | | |
|-------------------------------|-------|-------|
| Discount Rate | 7.92% | 8.44% |
| Pension increase rate | 2.52% | 2.78% |
| Post retirement discount rate | 5.27% | 5.51% |

2) Key demographic assumptions

i) Mortality rates

The PA(90)-1 mortality table was used by the actuaries.

6.2.3 The amounts recognised in the Statement of Financial Position are as follows:

| | 2010 R | 2009 R |
|---------------------------------------|----------------|----------------|
| Present value of fund obligations | 924 767 | 899 085 |
| Fair value of plan assets | - | - |
| Unfunded Accrued Liability | 924 767 | 899 085 |
| Unrecognised Transitional Liability | - | - |
| Unrecognised Past Service Cost | - | - |
| Unrecognised Actuarial Gains/(Losses) | - | - |
| Miscellaneous Item | - | - |
| Net liability | 924 767 | 899 085 |

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits*, paragraph 155(a).

6.2.4 The amount recognised in the Statement of Financial Performance are as follows:

| | | |
|--|----------------|--------------|
| Current service cost | - | - |
| Interest cost | 75 534 | 81 893 |
| Actuarial losses/ (gains) | 58 998 | (72 663) |
| Vested past service cost | - | - |
| Total included in employee related costs (Note 28) | 134 532 | 9 230 |

6.2.5 History of Liabilities, Assets and Experience Adjustments:

1) Present value of accrued liability and Fair value of plan assets

The accrued liabilities and the plan assets for the current and previous year is stated above under the amounts recognised in the Statement of Financial Position. At 30 June 2007 the accrued liabilities was R1 030 000 and at 30 June 2008 it was R1 003 481.

2) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

| | | |
|--------------------------------|--------|--------|
| Plan liabilities (Gain) / Loss | 43 673 | 11 793 |
| Plan assets | - | - |

6.2.6 Sensitivity analysis:

Sensitivity Analysis on the Unfunded Accrued Liability:

| Assumptions | Change | Liability | % Change |
|---------------------------|--------|-----------|----------|
| Central assumptions | | 924 867 | |
| Pension Increase rate | +1% | 993 599 | 7% |
| Pension Increase rate | -1% | 863 535 | -7% |
| Post-retirement mortality | -1 yr | 955 878 | 3% |

Sensitivity Analysis on the Interest Costs for the year ending 30 June 2010:

| Assumptions | Change | Interest cost | % Change |
|---------------------------|--------|---------------|----------|
| Central assumptions | | 75 500 | |
| Pension Increase rate | +1% | 81 200 | 8% |
| Pension Increase rate | -1% | 70 500 | -7% |
| Post-retirement mortality | -1 yr | 78 000 | 3% |

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6.3 LONG SERVICE AWARDS

The Long Service Awards plan is a defined benefit plan. As at 30 June 2010, 837 employees (815 employees as at 30 June 2009) were eligible for Long Service Awards. The expected remaining working-lifetime of eligible employees is 17.8 years.

The Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

The following table describes the benefits awarded:

| Completed Service (in years) | Long Service Bonuses (% of Annual Salary) | Description |
|---------------------------------|--|--------------------------|
| 10 | 4.0% | 10 / 250 x annual salary |
| 15 | 8.0% | 20 / 250 x annual salary |
| 20, 25, 30, 35, 40, 45 | 12.0% | 30 / 250 x annual salary |

Working days awarded are valued at 1/250th of annual salary per day. In the month that each "completed service" milestone is reached, the employee is granted a LSA.

The valuation makes allowance for the minimum benefits mentioned in the South African Local Government Bargaining Council's Collective Agreement on Conditions of Service, which was signed on 4 June 2009 and which sets out minimum benefits for the period 1 June 2009 through 31 December 2012, inclusive. There are some former Great Brak River employees who receive the LSA policy outlined in the collective agreement, the remaining staff receive the policy outline above.

6.3.1 Results of Valuation:

1) Accrued Liability

| | 2010 | 2009 |
|-----------------------------------|------------------|------------------|
| | R | R |
| Total Value of liabilities | 6 463 589 | 5 969 984 |
| Value of assets | - | - |
| Unfunded Accrued Liability | 6 463 589 | 5 969 984 |

The total liability has increased by 8% or R493 605 due to increases in the average salary and average past service and because the number of employees has increased. This has been offset by an increase in the average age and an increase in the net discount rate.

2) Current-Service and Interest Costs

Current-service Cost

784 081

388 192

Interest Cost

509 949

347 731

Total Cost

1 294 030

735 923

3) Actuarial gains and losses

Actuarial (Gain)/Loss for the period

(83 859)

1 665 225

Contribution to Actuarial Loss:

| | | |
|--|------------------|------------------|
| Basis changes : Increase in net discount rate | (178 923) | (182 799) |
| Benefits paid lower than expected | (11 059) | - |
| Salary increases higher than assumed | 102 754 | 811 419 |
| Changes to Membership profile different from assumed | 3 369 | 1 036 605 |
| | (83 859) | 1 665 225 |

There are more members than expected at this valuation resulting in a membership loss. However, the average past-service has been lower than expected and this has partially offset this membership loss to a negligible amount.

4) Past and Future Changes in the Accrued Liability

Opening Accrued Liability

| | Year ending 30/06/2010 | Year ending 30/06/2011 | Year ending 30/06/2012 |
|----------------------------------|---------------------------|---------------------------|---------------------------|
| Opening Accrued Liability | 5 969 984 | 6 463 589 | 6 962 533 |
| Current-service Cost | 784 081 | 871 207 | 948 623 |
| Interest Cost | 509 949 | 534 912 | 573 157 |
| Benefit payments | (716 566) | (907 175) | (1 047 270) |
| Total Annual Expense | 577 464 | 498 944 | 474 510 |
| Actuarial Loss / (Gain) | (83 859) | | |
| Closing Accrued Liability | 6 463 589 | 6 962 533 | 7 437 043 |

6.3.2 Key actuarial assumptions used:

1) Key financial assumptions

i) Rate of interest

| | | |
|-----------------------------|-------|-------|
| Discount rate | 8.89% | 9.08% |
| Salary Inflation Rate | 6.30% | 6.61% |
| Net Effective Discount Rate | 2.43% | 2.32% |

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2) Key demographic assumptions

i) Mortality rates

The SA 85-90 Mortality table was used by the actuaries for current employment.

ii) Average retirement age

The average retirement age for employees of the municipality is 60 years.

iii) Withdrawal from service

If an in-service member leaves, the employer's liability in respect of that member ceases. A sample of the assumed withdrawal rates is as follows:

| Age | Females | Males |
|-----|---------|-------|
| 20 | 24% | 16% |
| 30 | 15% | 10% |
| 40 | 6% | 6% |
| 50 | 2% | 2% |
| 55 | 0% | 0% |

6.3.3 The amounts recognised in the Statement of Financial Position are as follows:

| | 2010 | 2009 |
|---------------------------------------|------------------|------------------|
| | R | R |
| Present value of fund obligations | 6 463 589 | 5 969 984 |
| Fair value of plan assets | - | - |
| Unfunded Accrued Liability | 6 463 589 | 5 969 984 |
| Unrecognised Transitional Liability | - | - |
| Unrecognised Past Service Cost | - | - |
| Unrecognised Actuarial Gains/(Losses) | - | - |
| Miscellaneous Item | - | - |
| Net liability | 6 463 589 | 5 969 984 |

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits*, paragraph 155(a).

6.3.4 The amount recognised in the Statement of Financial Performance are as follows:

| | 2010 | 2009 |
|--|------------------|------------------|
| | R | R |
| Current service cost | 784 081 | 388 192 |
| Interest cost | 509 949 | 347 731 |
| Actuarial losses/ (gains) | (83 859) | 1 665 225 |
| Vested past service cost | - | - |
| Total included in employee related costs (Note 28) | <u>1 210 171</u> | <u>2 401 148</u> |

6.3.5 History of Liabilities, Assets and Experience Adjustments:

i) Present value of accrued liability and Fair value of plan assets

The accrued liabilities and the plan assets for the current and previous year is stated above under the amounts recognised in the Statement of Financial Position. At 30 June 2007 the accrued liabilities was R3 935 469 and at 30 June 2008 it was R4 346 643.

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

| | 2010 | 2009 |
|--------------------------------|--------|-----------|
| | R | R |
| Plan liabilities (Gain) / Loss | 95 064 | 1 848 024 |
| Plan assets | - | - |

6.3.6 Sensitivity Analysis:

Sensitivity Analysis on the Unfunded Accrued Liability:

| Assumptions | Change | Liability (R'000) | % Change |
|--------------------------|--------|-------------------|----------|
| Central assumptions | | 6 464 | |
| General salary inflation | +1% | 6 820 | 6% |
| General salary inflation | -1% | 6 137 | -5% |
| Average retirement age | -2 yrs | 5 790 | -10% |
| Average retirement age | +2 yrs | 7 140 | 10% |
| Withdrawal rates | -50% | 7 565 | 17% |

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30 June 2010:

| Assumptions | Change | Total | % Change |
|--------------------------|--------|-----------|----------|
| Central assumptions | | 1 294 030 | |
| General salary inflation | +1% | 1 367 973 | 6% |
| General salary inflation | -1% | 1 227 170 | -5% |
| Average retirement age | +2 yrs | 1 391 125 | 8% |
| Average retirement age | -2 yrs | 1 183 310 | -9% |
| Withdrawal rates | -50% | 1 521 805 | 18% |

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6.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS

The personnel of the Mosselbay Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund and Cape Retirement Fund are defined benefit plans, whereas the Municipal Councillors Fund and the Provident Fund are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers, and no regard is paid to differences in the membership distribution of the

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

CAPE JOINT PENSION FUND

The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9% by the members and 18% by Council. The last valuation performed for the year ended 30 June 2009 (30 June 2008) revealed that the fund had an actuarial surplus of R182,73 million with a funding level of 100% (106,5%), and is in a sound financial state as at 30 June 2009. The valuation also revealed that the fund had a solvency reserve of R220,61 million as at 30 June 2009.

CAPE RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2009 (30 June 2008) revealed that the fund had an actuarial surplus of R119,95 (R42,93) million with a funding level of 131,9% (112,2%). Certified in a sound financial position as at 30 June 2009.

SALA PENSION FUND

The fund has been certified in a sound financial position as at 1 July 2006 and has improved to a position where it is now 100% funded. It should be noted that the rule amendments giving effect to the changes as at 1 July 2003 in terms of the previous Scheme of Arrangement have been approved. Although these rule amendments were fully backdated, there is a risk that some benefit payments may still be necessary in terms of the precedent set by the Adjudicator's ruling that a member was underpaid in a specific instance. Provision for this eventuality has been made in the financial account of the Fund. The Council is contributing an additional 2,71% to the fund as from 1 July 2005 effective from July 2003.

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is not available.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The contribution rate payable is 5% by the members and not less than 12% by Council. The last valuation performed for the year ended 30 June 2005, certified that the fund is in a sound financial state.

7. NON-CURRENT DEPOSITS

Santos Pavilion Repair Fund

| | 2010 R | 2009 R |
|-------------------------------|----------------|----------------|
| Balance at beginning of year | 202 289 | 185 909 |
| Contributions during the year | - | - |
| Interest on Investment | 9 968 | 16 380 |
| Expenditure during the year | - | - |
| | <u>212 257</u> | <u>202 289</u> |

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 99-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100,000 to the council as an investment. Interest earned may be used by Council for the maintenance of the building should he fail to do it himself.

8. CONSUMER DEPOSITS

| | | |
|--|--------------------------|-------------------------|
| Electricity | 5 586 647 | 5 030 679 |
| Water | 4 574 651 | 4 438 186 |
| Total consumer deposits | <u>10 161 299</u> | <u>9 468 865</u> |
| Guarantees held in lieu of electricity deposits | 10 000 | 10 000 |

Guarantees held in lieu of electricity were R10 000 for 2010 (R10 000 for 2009) which is included in the total consumer deposits of R10 161 299 in 2010 (R9 488 865 in 2009). No interest accrues on consumer deposits.

Refer to Notes 36.1 for detail regarding the restatement of previous year balances.

MOSSEL BAY MUNICIPALITY

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9. PROVISIONS (CURRENT PORTION)

| | | |
|-----------------------------------|------------------|------------------|
| Rehabilitation of Landfill sites | 553 584 | 75 000 |
| Clearing of Alien Vegetation | 1 700 000 | 1 865 000 |
| Illegal Dumping | - | - |
| Pension Fund investment shortfall | 4 171 742 | |
| Total Provisions | 6 425 326 | 1 940 000 |

The movement in current provisions are reconciled as follows:

Rehabilitation of Landfill sites

| | | |
|---|----------------|---------------|
| Balance at beginning of year | 75 000 | - |
| Transfer from non-current | 553 584 | 75 000 |
| Contributions to provisions | (75 000) | |
| Unused amount reversed to non-current provision | | |
| Expenditure incurred | | |
| Balance at end of year | 553 584 | 75 000 |

Clearing of Alien Vegetation

| | | |
|---|------------------|------------------|
| Balance at beginning of year | 1 865 000 | 50 000 |
| Transfer from non-current | 1 700 000 | 1 864 875 |
| Contributions to provisions | (538 791) | |
| Unused amount reversed to non-current provision | (1 326 209) | (49 875) |
| Expenditure incurred | | |
| Balance at end of year | 1 700 000 | 1 865 000 |

Illegal Dumping

| | | |
|-------------------------------|----------|-----------|
| Balance at beginning of year | - | 25 000 |
| Transfer from non-current | - | |
| Contributions to provisions | - | |
| Expenditure incurred | - | (25 000) |
| Balance at end of year | - | - |

Pension Fund investment shortfall

| | | |
|-------------------------------|------------------|----------|
| Balance at beginning of year | - | - |
| Transfer from non-current | - | |
| Contributions to provisions | 4 171 742 | |
| Expenditure incurred | | |
| Balance at end of year | 4 171 742 | - |

Rehabilitation of Landfill sites:

This is the current portion which is due of the non-current provision. (refer note 5)

Clearing of Alien Vegetation:

This is the current portion which is due of the non-current provision. (refer note 5)

Illegal Dumping:

Provision has been made to clean-up for Illegal Dumping costs for unlawful environmental damage. No provision is made in the 2008/09 financial year, seeing as the backlogs for clean-up of Illegal Dumping has been cleared and the clean-up of Illegal Dumping is now funded out of the operational budget of the municipality as normal maintenance.

Pension Fund investment shortfall:

Local authorities associated with the Cape Joint Pension Fund are under an obligation to contribute pro rata to the Fund such a sum as will make up for any shortfall between actual earnings and an investment return of 5,5% on all its assets. The Fund's actuary has calculated a shortfall in the investments returns in respect of defined benefits component. Mossel Bay Municipality is liable for a pro rata payment to the Fund in the sum of R4 171 742.

10. TRADE AND OTHER PAYABLES

| | | |
|---------------------------------------|-------------------|-------------------|
| Trade payables | 40 400 524 | 20 572 228 |
| Payments received in advance | 6 008 379 | 7 890 597 |
| Accrued Expenditure | 3 339 316 | 2 963 283 |
| Performance Bonus accrual | 947 958 | 581 481 |
| Retention | 10 791 183 | 7 740 812 |
| Staff leave accrual | 8 235 139 | 6 883 331 |
| Other payables | 194 789 | 850 004 |
| Other deposits | 5 971 384 | 5 231 669 |
| Total Trade and other Payables | 75 888 671 | 52 713 405 |

The fair value of trade and other payables approximates their carrying amounts.

Trade and other payables are normally settled on 30 day terms in accordance with the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice.

Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

Performance Bonuses:

Performance bonuses accrue to employees on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due to staff as at the financial year end.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

11. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

| | 2010 R | 2009 R |
|---|-------------------|-------------------|
| 11.1 Conditional grants from spheres of government | | |
| Provincial Grants (Note 25) | 13 720 354 | 14 295 942 |
| National Grants (Note 25) | 4 343 178 | 6 879 049 |
| Other Government Grants (Note 25) | 8 998 319 | 6 811 677 |
| | 378 858 | 605 216 |
| 11.2 Other conditional receipts | | |
| District Municipality | 33 164 | 65 885 |
| Developers contributions | - | - |
| Public contributions (Note 27) | 33 164 | 65 885 |
| Total conditional grants and receipts | 13 753 518 | 14 361 827 |

These amounts are invested in a ring-fenced investment until utilised in terms of section 12 of the MFMA.

Refer to Note 25 for reconciliation of Government Grants & Subsidies and Note 27 for reconciliation of Public Contributions.

Also refer to Appendix F for further detail.

Refer to Note 36.4 for detail regarding the restatement of previous year balances.

12. TAXES

| | | |
|------------------------------|------------------|------------------|
| Opening Balance | 2 326 786 | 3 436 067 |
| VAT Payable (output) | (41 409 019) | (35 848 713) |
| VAT Receivable (Input) | 44 674 362 | 35 173 200 |
| Paid to SARS | (3 277 610) | (433 769) |
| Total Net VAT Payable | 2 314 520 | 2 326 786 |

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over SARS.

13. PROPERTY, PLANT & EQUIPMENT

| | Cost | Accumulated Depreciation | Carrying Value |
|-------------------------------|---------------------|-----------------------------|--------------------|
| | R | R | R |
| As at 30 June 2009 | | | |
| Land | 300 693 163 | - | 300 693 163 |
| Buildings | 124 447 208 | 29 397 794 | 95 049 414 |
| Infrastructure | 534 332 806 | 155 755 265 | 378 577 541 |
| Community | 70 983 068 | 15 118 128 | 55 864 939 |
| Other | 51 334 813 | 21 780 318 | 29 554 495 |
| Total | 1081 791 057 | 222 051 506 | 859 739 551 |
| As at 30 June 2010 | | | |
| Land | 301 200 782 | - | 301 200 782 |
| Buildings | 127 866 290 | 33 603 248 | 94 263 041 |
| Infrastructure | 663 966 338 | 167 265 546 | 496 700 792 |
| Community | 75 138 254 | 17 752 793 | 57 385 462 |
| Other | 59 160 275 | 28 257 202 | 30 903 073 |
| Total | 1227 331 938 | 246 878 789 | 980 453 150 |

Refer to Appendix B and C for more detail.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

| PROPERTY, PLANT AND EQUIPMENT | | | | | | | | | | |
|--|--------------------|--------------------|-------------------|----------|-------------------|--------------------------|-----------------------|-------------------|---------------------|---------------------|
| 30 June 2010 | | | | | | | | | | |
| Reconciliation of Carrying Value | Land & Buildings | Infrastructure | Community | Heritage | Other | Housing Development Fund | Leased Infrastructure | Intangible Assets | Investment property | Total |
| | R | R | R | R | R | R | R | R | R | R |
| Carrying values at 1 July 2009 | 395 742 577 | 281 988 261 | 55 864 939 | - | 26 222 106 | - | 3 332 148 | 441 981 | 503 157 648 | 1266 749 659 |
| Cost | 306 583 911 | 437 743 527 | 70 983 067 | - | 45 731 699 | - | 5 602 867 | 1 171 103 | 516 850 453 | 1384 666 628 |
| Adjustments/Correction of error | 118 556 459 | - | - | - | - | - | - | - | (11 174 500) | 107 381 959 |
| Accumulated depreciation | 29 397 793 | 155 755 266 | 15 118 128 | - | 19 509 593 | - | 2 270 720 | 729 122 | 2 518 305 | 225 298 927 |
| -cost/Impairment loss | 28 815 643 | 147 148 392 | 15 118 128 | - | 19 807 439 | - | 2 270 720 | 729 122 | 2 270 005 | 216 159 450 |
| -Correction of error | 582 150 | 8 606 874 | - | - | (297 846) | - | - | - | 248 300 | 9 139 478 |
| Acquisitions | 1 892 428 | 121 465 211 | 4 155 187 | - | 8 631 144 | - | 673 857 | - | - | 136 817 827 |
| Adjustment during the year | - | - | - | - | - | - | - | - | - | - |
| Capital under construction | 2 034 272 | 104 842 025 | - | - | - | - | - | - | - | 106 876 298 |
| Increases/decreases in revaluation | - | - | - | - | - | - | - | - | - | 97 661 960 |
| Depreciation | 4 205 454 | 11 534 322 | 2 634 665 | - | 6 136 975 | - | 1 464 112 | 154 471 | - | 26 129 999 |
| -based on cost | 4 240 331 | 11 534 322 | 2 634 665 | - | 6 113 024 | - | 1 464 112 | 159 152 | - | 26 145 606 |
| -based on revaluation | (34 877) | - | - | - | 23 951 | - | - | (4 680) | - | (15 607) |
| Carrying value of disposals | - | 60 385 | - | - | 331 902 | - | 23 187 | - | 1 255 000 | 1 670 474 |
| Cost/revaluation | - | 84 426 | - | - | 1 260 449 | - | 218 844 | - | 1 255 000 | 2 818 719 |
| Accumulated depreciation | - | 24 041 | - | - | 928 547 | - | 195 656 | - | - | 1 148 245 |
| Impairment losses | - | - | - | - | - | - | - | - | 186 421 240 | - |
| Other movements | - | - | - | - | - | - | - | - | - | - |
| Carrying values at 30 June 2010 | 395 463 824 | 496 700 791 | 57 385 461 | - | 28 384 373 | - | 2 518 705 | 287 509 | 413 143 368 | 1393 884 031 |
| Cost | 310 510 612 | 663 966 338 | 75 138 254 | - | 53 102 393 | - | 6 057 881 | 1 171 103 | 613 257 413 | 1723 203 994 |
| Adjustments/Correction of error | 118 556 459 | - | - | - | - | - | - | - | (11 174 500) | 107 381 959 |
| Accumulated depreciation | 33 603 247 | 167 265 547 | 17 752 793 | - | 24 718 020 | - | 3 539 176 | 883 594 | 188 939 545 | 436 701 922 |
| -cost | 33 021 097 | 158 658 673 | 17 752 793 | - | 25 015 867 | - | 3 539 176 | 883 594 | 188 691 245 | 427 562 445 |
| -Correction of error | 582 150 | 8 606 874 | - | - | (297 846) | - | - | - | 248 300 | 9 139 478 |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

| PROPERTY, PLANT AND EQUIPMENT | | | | | | | | | | |
|--|--------------------|--------------------|-------------------|----------|-------------------|--------------------------|-----------------------|-------------------|---------------------|---------------------|
| 30 June 2009 | | | | | | | | | | |
| Reconciliation of Carrying Value | Land & Buildings | Infrastructure | Community | Heritage | Other | Housing Development Fund | Leased Infrastructure | Intangible Assets | Investment Property | Total |
| | R | R | R | R | R | R | R | R | R | R |
| Carrying values at 1 July 2008 | 395 982 189 | 245 621 953 | 57 511 011 | - | 24 818 517 | - | 2 728 792 | 596 452 | 503 217 648 | 1230 476 562 |
| Cost | 302 747 878 | 391 583 403 | 70 070 050 | - | 39 959 136 | - | 4 774 967 | 1 171 103 | 516 910 453 | 1327 216 991 |
| Adjustments/Correction of error | 118 556 459 | - | - | - | - | - | - | - | (11 174 500) | 107 381 959 |
| Accumulated depreciation | 25 322 148 | 145 961 450 | 12 559 039 | - | 15 140 619 | - | 2 046 175 | 574 651 | 2 518 305 | 204 122 388 |
| -cost/Impairment loss | 24 739 998 | 137 354 576 | 12 559 039 | - | 15 438 465 | - | 2 046 175 | 574 651 | 2 270 005 | 194 982 910 |
| -Correction of error | 582 150 | 8 606 874 | - | - | (297 846) | - | - | - | 248 300 | 9 139 478 |
| Acquisitions | 3 915 698 | 46 160 125 | 913 017 | - | 7 085 338 | - | 1 838 944 | - | - | 59 913 121 |
| Adjustment during the year | - | 96 589 278 | - | - | - | - | - | - | - | 96 589 278 |
| Capital under construction | - | - | - | - | - | - | - | - | - | - |
| Increases/decreases in revaluation | - | - | - | - | - | - | - | - | - | - |
| Depreciation | 4 094 455 | 9 793 816 | 2 559 089 | - | 5 230 795 | - | 1 235 588 | 154 471 | - | 23 068 214 |
| -based on cost | 4 136 085 | 9 793 816 | 2 559 089 | - | 5 472 191 | - | 1 235 588 | 170 036 | - | 23 366 804 |
| -based on revaluation | (41 631) | - | - | - | (241 395) | - | - | (15 564) | - | (298 590) |
| Carrying value of disposals | 60 856 | - | - | - | 450 953 | - | 1 | - | 60 000 | 571 810 |
| Cost/revaluation | 79 665 | - | - | - | 1 312 775 | - | 1 011 044 | - | 60 000 | 2 463 484 |
| Accumulated depreciation | 18 810 | - | - | - | 861 822 | - | 1 011 043 | - | - | 1 891 674 |
| Impairment losses | - | - | - | - | - | - | - | - | - | - |
| Other movements | - | - | - | - | - | - | - | - | - | - |
| Carrying values at 30 June 2009 | 395 742 577 | 281 988 262 | 55 864 939 | - | 26 222 106 | - | 3 332 148 | 441 981 | 503 157 648 | 1266 749 659 |
| Cost | 306 583 911 | 437 743 527 | 70 983 067 | - | 45 731 699 | - | 5 602 867 | 1 171 103 | 516 850 453 | 1384 666 628 |
| Adjustments/Correction of error | 118 556 459 | - | - | - | - | - | - | - | (11 174 500) | 107 381 959 |
| Accumulated depreciation | 29 397 793 | 155 755 266 | 15 118 128 | - | 19 509 593 | - | 2 270 720 | 729 122 | 2 518 305 | 225 298 927 |
| -cost | 28 815 643 | 147 148 392 | 15 118 128 | - | 19 807 439 | - | 2 270 720 | 729 122 | 2 270 005 | 216 159 450 |
| -Correction of error | 582 150 | 8 606 874 | - | - | (297 846) | - | - | - | 248 300 | 9 139 478 |
| | | | | | | | | | | |

Changes in useful lives occurred during the financial year under review. The impact of the change in useful lives were as follow:

Depreciation decreased as follows:

| | |
|-------------------|---------|
| Other assets | 23,951 |
| Leased assets | - |
| Intangible assets | -4,680 |
| Buildings | -34,877 |
| | -15,607 |

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14. INTANGIBLE ASSETS

| | 2010 R | 2009 R |
|---|------------|------------|
| Carrying values at the beginning of the year | 441 734 | 596 205 |
| Cost | 1 170 857 | 1 170 857 |
| Accumulated amortisation | (729 124) | (574 652) |
| Acquisitions | | |
| Disposals | | |
| Amortisation | (154 471) | (154 471) |
| Amortisation written back on disposals | | |
| Carrying values at the end of the year | 287 262 | 441 734 |
| Cost | 1 170 857 | 1 170 857 |
| Accumulated amortisation | (883 595) | (729 124) |

The municipality does not have any internally generated intangible assets.

15. INVESTMENT PROPERTY

| | 2010 R | 2009 R |
|---|-------------|-------------|
| Carrying values at the beginning of the year | 503 157 653 | 503 217 653 |
| Cost | 503 157 653 | 503 217 653 |
| Acquisitions | | |
| Revaluation | -88 759 280 | |
| Disposals | -1 255 000 | -60 000 |
| Carrying values at the end of the year | 413 143 373 | 503 157 653 |
| Cost | 413 143 373 | 503 157 653 |

Investment property is property held to earn rentals or for capital appreciation or both, such as Land held for long-term capital appreciation or Vacant land held for undecided future use. Revenue earned from Investment Property is disclosed in the Statement of Financial Performance. The Investment Property is carried at fair value.

The fair value of investment property is based on a valuation done by an independent valuator who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property.

The valuator did the valuation by applying standard valuation techniques, e.g. comparable sales or development cost models according to the nature of each property. Research was done by ways of Deeds and Surveyor general searches and sale trends in the property market of Mossel Bay.

16. LONG-TERM RECEIVABLES

| | 2010 R | 2009 R |
|---|------------------|------------------|
| Long-term receivables: | | |
| Car Loans | 3 658 617 | 3 972 674 |
| Study Loans | (0) | 46 643 |
| Land Sales Debtors | 165 724 | 107 150 |
| Public Assistance Loans | 33 158 | 34 707 |
| Housing Selling Scheme Loans | 375 243 | 424 546 |
| | 3 084 493 | 3 359 628 |
| Less: Current portion transferred to current receivables | | |
| Car Loans | 409 954 | 523 929 |
| Land Sales Debtors | - | 46 643 |
| Public Assistance Loans | 1 437 | 642 |
| Housing Selling Scheme Loans | 80 157 | 175 226 |
| | 328 360 | 301 418 |
| Less: Provision for Impairment of long-term receivables | | |
| Housing Selling Scheme Loans | 1 061 230 | 2 227 709 |
| | 1 061 230 | 2 227 709 |
| Total | <u>2 187 433</u> | <u>1 221 037</u> |
| Reconciliation of Impairment of Long-term receivables | | |
| Balance at beginning of year | 2 227 708 | 2 163 910 |
| Contribution to / (Reversal from) provision | (1 166 478) | 862 683 |
| Bad Debts written off / recovered | - | (798 885) |
| Balance at end of year | <u>1 061 230</u> | <u>2 227 708</u> |

Outstanding Land Sales debtors and Housing selling scheme loans were summarised in scheme numbers. A payment % report was also drawn from the system per suburb, as the report can not be drawn per scheme, and vice versa. A Payment % of 66.26 % was established and a provision for impairment was made for 33.74%. No provision for impairment to be recognised for car, study and public assistance loans.

Loans to Employees (Car, Study and Computer loans)

Staff were entitled to various loans e.g. car loans which attract interest at 8% per annum and which were payable over a maximum period of 6 years. These loans were granted before the implementation of the MFMA and the last of the loans were repaid at May 2010.

Land Sales

Loans were granted to qualified individuals by Council. These loans attract interest at market-related interest rates.

Public assistance loans

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. These attract interest at a rate of 8% to 15% per annum and are repayable over a maximum period of 15 years.

Housing Selling Scheme Loans

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest at a rate determined by the National Minister of Housing.

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| 17. INVENTORY | 2010 R | 2009 R |
|-----------------------------------|-------------------|-------------------|
| Consumable stores - at cost | 448 819 | 348 945 |
| Maintenance materials - at cost | 5 257 503 | 4 324 194 |
| Meters | 266 642 | 210 363 |
| Spare parts | 9 258 | 5 240 |
| Purification Materials | 1 068 029 | 312 581 |
| Unsold properties held for resale | 4 778 639 | 5 830 288 |
| Water purification | 189 183 | 175 118 |
| Total inventory | 12 018 074 | 11 206 728 |

Inventory 2009/10 = R7 239 435 (R5 376 441 in 2008/09). Unsold properties held for sale transferred to inventory in 2009/10 = R 4 778 639 (R5 830 286 in 2008/09). Total inventory 2009/10 = R12 018 074

Inventory to the value of R19 849 (R35 251 in 2008/09) was written off during this financial year.

18. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2010

| | Gross Balances | Provision for Impairment | Net Balance |
|-----------------------|-------------------|--------------------------|-------------------|
| Service debtors | 48 473 027 | 11 591 005 | 34 882 022 |
| Electricity | 11 502 714 | 886 556 | 10 616 158 |
| Water | 13 399 291 | 4 159 281 | 9 240 010 |
| Refuse | 4 953 577 | 1 285 690 | 3 667 887 |
| Sewerage | 16 617 445 | 5 259 478 | 11 357 967 |
| Debt pack Collections | 1 730 374 | 1 728 067 | 2 308 |
| Land Sales | 19 682 | 16 143 | 3 539 |
| Housing Instalments | 1 232 397 | 643 456 | 588 942 |
| Housing rentals | 294 290 | 59 840 | 234 450 |
| Other | 1 148 675 | 771 480 | 377 195 |
| Total | 50 898 445 | 14 809 990 | 36 088 455 |

As at 30 June 2009

| | Gross Balances | Provision for Impairment | Net Balance |
|-----------------------|-------------------|--------------------------|-------------------|
| Service debtors | 44 039 814 | 14 357 924 | 29 681 891 |
| Electricity | 10 825 997 | 587 622 | 10 238 375 |
| Water | 12 707 177 | 5 101 255 | 7 605 921 |
| Refuse | 5 036 484 | 2 036 578 | 2 999 907 |
| Sewerage | 15 470 157 | 6 632 469 | 8 837 888 |
| Debt pack Collections | 803 816 | 798 342 | 5 474 |
| Land Sales | 45 478 | 39 099 | 6 379 |
| Housing Instalments | 1 169 397 | 609 941 | 559 456 |
| Housing rentals | 296 421 | 50 324 | 246 097 |
| Other | 958 439 | 716 829 | 241 811 |
| Total | 47 313 366 | 16 572 459 | 30 740 908 |

Refer to Note 36.3 for detail regarding the restatement of previous year balance.

Electricity, Water, Refuse and Sewerage): Ageing

| | 2010 R | 2009 R |
|----------------------|-------------------|-------------------|
| Current (0 -30 days) | 19 081 193 | 18 133 482 |
| 31 - 60 Days | 2 237 828 | 1 594 773 |
| 81 - 90 Days | 1 865 021 | 1 338 311 |
| 91 - 120 Days | 1 720 782 | 1 239 237 |
| 121- 365 Days | 13 101 064 | 9 573 885 |
| > 365 Days | 8 682 356 | 12 160 148 |
| Total | 46 688 245 | 44 039 814 |

Service debtors receivables that are past due as at the end of 2009/10 but not impaired, for less than 30 days is R18 365 588 (2008/09 = R17 653 410) and for more than 30 days is R16 731 652 (2008/09 = R12 028 481).

Debt pack Collections

| | | |
|----------------------|------------------|----------------|
| Current (0 -30 days) | 269 | 3 598 |
| 31 - 60 Days | 37 | 1 878 |
| 61 - 90 Days | 4 037 | 376 |
| 91 - 120 Days | 1 675 | 4 187 |
| 121- 365 Days | 1 386 295 | 351 634 |
| > 365 Days | 338 061 | 442 145 |
| Total | 1 730 374 | 803 818 |

Debt pack collection receivables that are past due as at the end of 2009/10 but not impaired, for less than 30 days is R269 (2008/09 = R3 596) and for more than 30 days is R2 038 (2008/09 = R1 878).

Housing Instalments

| | | |
|----------------------|------------------|------------------|
| Current (0 -30 days) | 25 081 | 25 917 |
| 31 - 60 Days | 9 750 | 10 383 |
| 61 - 90 Days | 77 439 | 9 238 |
| 91 - 120 Days | 8 044 | 8 680 |
| 121- 365 Days | 151 655 | 93 808 |
| > 365 Days | 960 428 | 1 021 574 |
| Total | 1 232 397 | 1 169 397 |

Housing instalments receivables that are past due as at the end of 2009/10 but not impaired, for less than 30 days is R25 081 (2008/09 = R25 917) and for more than 30 days is R563 861 (2008/09 = R533 539).

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

| | 2010 R | 2009 R |
|--------------------------------|---------------|----------------|
| Housing rentals: Ageing | | |
| Current (0 -30 days) | 7 110 | 7 194 |
| 31 - 60 Days | 2 439 | 2 859 |
| 61 - 90 Days | 7 646 | 2 553 |
| 91 - 120 Days | 1 768 | 2 375 |
| 121- 365 Days | 53 241 | 82 707 |
| > 365 Days | 6 867 | 198 733 |
| Total | <u>79 071</u> | <u>296 421</u> |

Housing rentals receivables that are past due as at the end of 2009/10 but not impaired, for less than 30 days is R7 110 (2008/09 = R7 194) and for more than 30 days is R12 121 (2008/09 = R238 903).

| | 2010 R | 2009 R |
|----------------------|------------------|----------------|
| Other | | |
| Current (0 -30 days) | 351 699 | 234 267 |
| 31 - 60 Days | 25 496 | 31 770 |
| 61 - 90 Days | 15 409 | 33 392 |
| 91 - 120 Days | 94 069 | 30 415 |
| 121- 365 Days | 181 427 | 263 652 |
| > 365 Days | 480 575 | 364 944 |
| Total | <u>1 148 675</u> | <u>958 439</u> |

Other receivables that are past due as at the end of 2009/10 but not impaired, for less than 30 days is R351 699 (2008/09 = R234 267) and for more than 30 days is R25 496 (2008/09 = R7 344).

| | 2010 R | 2009 R |
|----------------------|---------------|---------------|
| Land Sales | | |
| Current (0 -30 days) | 1 070 | 1 126 |
| 31 - 60 Days | 381 | 427 |
| 61 - 90 Days | 339 | 367 |
| 91 - 120 Days | 311 | 339 |
| 121- 365 Days | 2 492 | 2 162 |
| > 365 Days | 15 089 | 41 056 |
| Total | <u>19 682</u> | <u>45 478</u> |

Land sales receivables that are past due as at the end of 2009/10 but not impaired, for less than 30 days is R1 070 (2008/09 = R1 126) and for more than 30 days is R2 469 (2008/09 = R5 253).

| | 2010 R | 2009 R |
|--|-------------------|-------------------|
| Reconciliation of Provision for impairment of trade receivables | | |
| Balance at beginning of year | 16 572 459 | 22 692 597 |
| Contribution to / (Reversal from) provision | 8 175 775 | 7 562 411 |
| Bad Debts written off / recovered | (9 938 243) | (13 682 549) |
| Balance at end of year | <u>14 809 990</u> | <u>16 572 459</u> |

| | 2010 R | 2009 R |
|--|-------------------|-------------------|
| Summary of Trade receivables by Consumer Classification | | |
| Residential | 38 763 902 | 36 595 685 |
| Industrial / Commercial | 7 768 192 | 6 646 334 |
| National / Provincial government | 1 357 324 | 1 181 671 |
| Payments received in Advance | 3 009 027 | 2 889 677 |
| Total | <u>50 898 445</u> | <u>47 313 368</u> |

19. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | 2010 R | 2009 R |
|--|-------------------|-------------------|
| Other Receivables from Non-Exchange transactions: | | |
| Rates | 54 767 575 | 32 007 241 |
| Accrued Income | 8 597 880 | 6 497 162 |
| Unauthorised expenditure (see Note 41.1) | 4 655 571 | 12 952 311 |
| Fruitless & wasteful expenditure (see Note 41.2) | - | - |
| Government subsidies | 515 615 | - |
| Other | 40 998 508 | 12 557 767 |
| Recoverable Expenditure | - | - |
| Less: Provision for impairment of other receivables | 11 597 504 | 7 479 964 |
| Rates | 1 790 161 | 1 193 471 |
| Other : Operating Balance PAWC (Housing Administration) | 9 807 343 | 6 286 492 |
| Total | 43 170 071 | 24 527 278 |

Sundry debtors are grouped together in financial assets with similar credit risk characteristics and collectively assessed for impairment. However the "Other Debtors" are individually assessed.

A provision was made for the non-payment of the Operating Balance for Housing costs of 100%.

| | 2010 R | 2009 R |
|----------------------|------------------|------------------|
| Rates: Ageing | | |
| Current (0 -30 days) | 3 382 157 | 2 999 122 |
| 31 - 60 Days | 450 264 | 305 203 |
| 61 - 90 Days | 279 929 | 282 009 |
| 91 - 120 Days | 262 804 | 223 999 |
| 121- 365 Days | 2 655 239 | 1 738 624 |
| > 365 Days | 1 567 488 | 948 205 |
| Total | <u>8 597 880</u> | <u>6 497 162</u> |

Rates receivables that are past due as at the end of 2009/10 but not impaired, for less than 30 days is R3 270 208 (2008/09 = R2 922 644) and for more than 30 days is R3 537 512 (2008/09 = R2 381 047).

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Annual Financial Statements for the year ended 30 June 2010

| | 2010 R | 2009 R |
|--|-------------------|------------------|
| Reconciliation of Provision for impairment of other receivables | | |
| Balance at beginning of year | 7 479 964 | 4 176 100 |
| Contribution to / (Reversal from) provision | 4 314 893 | 3 521 878 |
| Bad Debts written off / recovered | (197 353) | (218 014) |
| Balance at end of year | 11 597 504 | 7 479 964 |
| Summary of Rates by Consumer Classification | | |
| Residential | 5 936 728 | 4 973 662 |
| Industrial / Commercial | 1 703 474 | 819 223 |
| National / Provincial government | 857 099 | 610 725 |
| Payments received in Advance | 100 579 | 99 552 |
| | 8 597 880 | 6 497 162 |

20. INVESTMENTS

| | | |
|--|-------------|-------------|
| Short-term Investment deposits | 187 000 000 | 203 000 000 |
| Less: Current portion maturing within next 12 months - refer note 21 | 187 000 000 | 203 000 000 |
| | - | - |

Investments are made in accordance with the municipality's Cash Management and Investment policy as follows:

- That the broad investment policy framework be applicable
- Investments not be placed with foreign banks
- That council does not make use of the services of investment brokers
- Council's total investment portfolio be invested with banks rated as follows:
 - short-term investments (0 - 12 months) only institutions with an F1 and higher rating be used
 - long-term investments (more than 12 months) only institutions with AA or higher rating be used
- Not more than 50% of the total investments invested with one institution

No investments were written off during the year.

21. CASH AND CASH EQUIVALENTS

| Assets | | |
|--|--------------------|--------------------|
| Petty Cash | 13 980 | 13 980 |
| Bank balances | - | - |
| Short-term Investment deposits | 187 000 000 | 203 000 000 |
| Total cash and cash equivalents - Assets | 187 013 980 | 203 013 980 |
| Liabilities | | |
| Bank overdraft | (8 270 712) | (1 098 895) |
| Total cash and cash equivalents - Liabilities | (8 270 712) | (1 098 895) |

The municipality has the following bank accounts:

| BANK ACCOUNT | Account Numbers | |
|---|------------------|-------------------|
| Primary Bank Account - NEDBANK DEPOSIT ACCOUNT | 1626566909 | 8 269 246 |
| Secondary Bank Account - NEDBANK CHEQUE ACCOUNT | 1626566917 | - |
| | 8 269 246 | 21 508 524 |

| | | |
|---|--------------------|--------------------|
| Bank statement balance at beginning of year | 21 508 524 | 17 488 029 |
| Bank statement balance at end of year | 8 269 246 | 21 508 524 |
| Cash book balance at beginning of year | (1 098 895) | 7 529 466 |
| Cash book balance at end of year | (8 270 712) | (1 098 895) |
| Petty Cash / Float at beginning of year | 13 980 | 10 980 |
| Petty Cash / Float at end of year | 13 980 | 13 980 |
| Mossel Bay Sport Trust: | | |
| Cash book balance at beginning of year | - | 15 429 |
| Cash book balance at end of year | - | - |
| INVESTMENTS: Current portion matures within next 12 months - Refer Note 20 | 187 000 000 | 203 000 000 |

All accounts are with NEDBANK. The balance of account no. 1626566917 - cheque account, is swept to the main account - Primary bank account no. 1626566909.

MOSSEL BAY MUNICIPALITY

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22. OPERATING LEASES

The Municipality as lessee

Operating leases relate to Buildings with lease terms of between one to five years, with an option to extend for a further period. The municipality does not have an option to purchase the leased asset at the expiry of the

In respect of Non-cancellable Operating Leases the following liabilities have been recognised in the Statement of Financial Position:

| | 2010 R | 2009 R |
|--|----------------|---------------|
| Balance at beginning of year | 79 165 | 19 654 |
| Movement for the year | 31 721 | 59 531 |
| Total Operating Lease Liabilities - as lessee | 110 907 | 79 165 |

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for buildings, which fall due as follows:

Buildings

| | | |
|---|------------------|------------------|
| Up to 1 year | 1 041 060 | 903 306 |
| 1 to 5 years | 765 446 | 765 975 |
| More than 5 years | - | - |
| Total Operating Lease arrangements - as lessee | 1 626 526 | 1 669 263 |

The Municipality as lessor

Operating leases relate to Investment Property owned by the Municipality with lease terms of between one to five years. The lessee does not have an option to purchase the property at the expiry of the lease period.

In respect of Non-cancellable Operating Leases the following assets have been recognised in the Statement of Financial Position:

| | | |
|---|----------------|----------------|
| Balance at beginning of year | 107 106 | 101 663 |
| Movement for the year | 609 | 5 444 |
| Total Operating Lease Assets - as lessor | 107 717 | 107 106 |

The following receipts have been recognised as an income in the Statement of Financial Performance:

| | | |
|---|----------------|----------------|
| Lease income | 506 441 | 500 773 |
| Total Operating Lease income - as lessor | 506 441 | 500 773 |

At the reporting date the municipality had lease receipts receivable under non-cancellable operating leases for Investment Property, which fall due as follows:

Investment Property

| | | |
|---|------------------|------------------|
| Up to 1 year | 597 995 | 467 656 |
| 1 to 5 years | 1 166 965 | 963 676 |
| More than 5 years | 696 760 | 644 157 |
| Total Operating Lease arrangements - as lessor | 2 461 739 | 2 295 491 |

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

23. PROPERTY RATES

Actual

| | | |
|---|-------------------|-------------------|
| Residential | 43 563 163 | 36 127 656 |
| Commercial | 11 016 457 | 7 636 509 |
| State | 1 574 601 | 1 062 401 |
| Building Clause | 10 262 | 6 727 |
| Assessment Rate: Letting | 1 466 | 1 466 |
| Assessment Rate: State Building Kwa Nonqaba | 72 355 | 113 217 |
| Agricultural | 575 616 | 562 461 |
| Less: Income forgone | (1 847 557) | (1 570 135) |
| Total assessment rates | 54 966 604 | 44 142 322 |

Valuations

| | July 2010 | July 2009 |
|---|-----------------------|-----------------------|
| Residential | 24 254 300 590 | 23 462 471 490 |
| Commercial | 3 159 622 400 | 2 306 506 600 |
| State | 376 922 500 | 346 149 600 |
| Municipal | 596 223 000 | 643 106 410 |
| Building Clause | 5 695 600 | 6 369 440 |
| Assessment Rate: Letting | - | - |
| Assessment Rate: State Building Kwa Nonqaba | 17 410 000 | 3 266 500 |
| Agricultural | 1 264 231 300 | 1 332 603 500 |
| Total property valuations | 29 696 605 590 | 26 102 493 740 |

The valuation of land takes place every four years in terms of the determinations of the new Ordinance on Property Valuation, 1993. The basic rate for land and buildings ranged between R0,000441 and R0,004156 respectively. Qualifying pensioners received an additional rebate of either 50% or 30% on property tax. With regard to needy families, where the joint income of husband and wife amounted to less than R4 000 a rebate was allowed with regard to water, refuse and sewerage. Regarding the housing schemes, it is noted that income for rates was not based on valuation as the values are less than R50 000. The first R50 000 of residential properties are not levied, R15 000 are impermissible rates and a rebate are given on R35 000.

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| | 2010 R | 2009 R |
|--|--------------------|--------------------|
| 24. SERVICE CHARGES | | |
| Sale of electricity | 160 907 455 | 134 825 295 |
| Sale of water | 49 416 982 | 54 145 094 |
| Refuse removal | 27 004 363 | 23 867 455 |
| Sewerage & sanitation charges | 46 046 566 | 42 050 909 |
| Total service charges | <u>283 375 367</u> | <u>254 888 753</u> |
| 25. GOVERNMENT GRANTS AND SUBSIDIES | | |
| Equitable share | 26 678 425 | 23 589 738 |
| National Government Grants | 43 470 074 | 25 452 998 |
| Provincial Government Grants | 17 548 531 | 14 394 022 |
| Main Road Subsidy - Provincial | - | 810 860 |
| Other Grants | 6 349 775 | 6 733 648 |
| Total Government Grant & Subsidies | <u>94 046 805</u> | <u>70 981 263</u> |
| 25.1 Equitable Share | | |
| These grants are used to subsidise the provision of basic services to indigent communities. | | |
| 25.2 National Government Grants | | |
| Balance unspent at beginning of year | 6 811 677 | 243 674 |
| Current year receipts | 45 656 715 | 32 021 001 |
| Adjustments | (43 470 074) | (25 452 998) |
| Conditions met - transferred to revenue | 8 998 319 | 6 811 877 |
| Conditions still to be met - transferred to liabilities (see note 11) | | |
| Mossel Bay Municipality received various grants from National Government for capital projects, such as the Drought Relief Grant (Reverse Osmosis plant project) and Energy Efficiency and Demand Side Management project. Other than the amounts unspent, the conditions of the grants have been met. | | |
| 25.3 Provincial Government Grants | | |
| Balance unspent at beginning of year | 6 879 049 | 1 255 779 |
| Current year receipts | 15 012 660 | 20 556 833 |
| Adjustments | - | (539 542) |
| Conditions met - transferred to revenue | (17 548 531) | (14 394 022) |
| Conditions still to be met - transferred to liabilities (see note 11) | <u>4 343 178</u> | <u>6 879 049</u> |
| Mossel Bay Municipality received various grants from Provincial Government for operational and capital projects, such as Housing Topstructures, Multi-purpose centre, Provincial Management support grant and the CDW grant. Other than the amounts unspent, the conditions of the grants have been met. | | |
| 25.4 Main Roads Subsidy | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | - | 810 860 |
| Conditions met - transferred to revenue | - | (810 860) |
| Conditions still to be met - transferred to liabilities (see note 11) | | |
| Mossel Bay Municipality was allocated funds from Provincial Government for the maintenance of Proclaimed Roads during the 2009/10 financial year, but the expenditure did not realise. | | |
| 25.5 Other Grants | | |
| Balance unspent at beginning of year | 605 216 | 1 383 888 |
| Current year receipts | 6 123 417 | 5 955 178 |
| Adjustments | (6 349 775) | (6 733 648) |
| Conditions met - transferred to revenue | <u>378 858</u> | <u>605 216</u> |
| The Municipality received various other grants from PAWC for operational projects, such as MSIG, FMG and LGSETA funds. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld. | | |
| Refer to Note 36.4 for detail regarding the restatement of previous year balance. | | |
| 26. OTHER INCOME | | |
| Building Plan Fees | 2 667 155 | 2 478 354 |
| Availability Fees (Services) | 12 719 498 | 12 332 859 |
| Land Usage Fees | 429 541 | 427 466 |
| Contributions from External Services | 2 842 998 | 2 131 889 |
| Contributions from Land Sales | 2 157 | 80 940 |
| Insurance Claims | 493 472 | 772 247 |
| Collection costs recovered | 2 442 167 | 1 425 759 |
| Fair Value adjustment | 97 661 960 | - |
| Other | 5 626 467 | 3 138 516 |
| Total other income | <u>124 885 416</u> | <u>22 788 009</u> |

Refer to Notes 36.1 and 36.2 for detail regarding the restatement of previous year balance.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

| | | 2010 R | 2009 R |
|---|--|---------------------|--------------------|
| 27. PUBLIC CONTRIBUTIONS, DONATED AND CONTRIBUTED PPE | | | |
| District Municipality | | - | - |
| Developers Contributions | | - | - |
| Public Contributions | | 22 603 501 | 267 701 |
| Donated and Contributed PPE | | 1 020 467 | - |
| Connection Fees | | 1 755 587 | 2 308 812 |
| Other | | - | - |
| Total public contributions | | 25 379 555 | 2 574 513 |
| 27.1 District Municipality | | | |
| Balance unspent at beginning of year | | - | - |
| Current year receipts | | - | - |
| Adjustments | | - | - |
| Conditions met - transferred to revenue | | - | - |
| Conditions still to be met - transferred to liabilities (see note 11) | | - | - |
| 27.2 Developers Contributions | | | |
| Balance unspent at beginning of year | | (0) | (0) |
| Current year receipts | | - | - |
| Adjustments | | - | - |
| Conditions met - transferred to revenue | | - | - |
| Conditions still to be met - transferred to liabilities (see note 11) | | (0) | (0) |
| 27.3 Public Contributions | | | |
| Balance unspent at beginning of year | | 65 885 | 32 351 |
| Current year receipts | | 22 570 780 | 311 260 |
| Adjustments | | - | (10 024) |
| Conditions met - transferred to revenue | | (22 603 501) | (267 701) |
| Conditions still to be met - transferred to liabilities (see note 11) | | 33 164 | 65 885 |
| 27.3 Donated and Contributed Property, Plant and Equipment | | | |
| Balance unspent at beginning of year | | - | - |
| Current year receipts | | 1 020 467 | - |
| Adjustments | | - | - |
| Conditions met - transferred to revenue | | (1 020 467) | - |
| Conditions still to be met - transferred to liabilities (see note 11) | | - | - |
| The Municipality receives contributions from various private funders for operational and capital projects. Other than the amounts unspent the conditions of the contributions have been met. The only funds delayed as at 30 June 2010 was the R22,5 million contribution from PetroSA. | | | |
| The conditions of the contract with PetroSA read that once the project (Reverse Osmosis Plant) is finished, Mossel Bay Municipality will furnish PetroSA with an invoice for the expenditure occurred, after which PetroSA will provide the funding. These funds was paid to the Municipality on the 20th of August 2010. | | | |
| 28. EMPLOYEE RELATED COSTS | | | |
| Employee-related costs - Salaries, Wages & Bonuses | | 91 558 573 | 76 498 639 |
| Employee-related costs - Contributions for UIF, pensions & medical aids | | 21 071 981 | 18 246 160 |
| Contributions to Post Retirement Benefits Provision | | 9 705 993 | 7 834 027 |
| Contributions to Long Service Bonus Provision | | 1 294 030 | 735 923 |
| Contributions to Leave Gratuity Provision | | 1 869 047 | 1 817 993 |
| Contributions to Pension Fund Investment Shortfall | | 4 171 742 | - |
| Travel, motor car, accommodation, subsistence & other allowances | | 9 086 802 | 7 704 546 |
| Housing benefits & allowances | | 1 006 290 | 1 116 483 |
| Overtime payments | | 8 176 715 | 7 211 426 |
| Executive packages | | 6 946 493 | 6 730 580 |
| Less: Employee costs capitalised and to other operating maintenance | | (929 735) | (255 546) |
| Total employee-related costs | | 153 957 930 | 127 640 232 |
| REMUNERATION OF KEY MANAGEMENT PERSONNEL: | | | |
| Remuneration of the Municipal Manager | | | |
| Annual remuneration | | 799 438 | 1 967 787 |
| Performance bonuses | | 160 842 | 11 200 |
| Car allowance | | 132 000 | 11 000 |
| Contributions to UIF, Medical & Pension Funds | | 154 431 | 168 498 |
| Group Insurance | | - | - |
| Industrial Council | | 45 | 41 |
| Total | | 1 246 756 | 2 156 526 |
| The annual remuneration of the Municipal Manager for the 2008/09 financial year includes a monetary consideration payment to the previous Municipal Manager in accordance with a mutual agreement. The Municipal Manager resigned during the month of June 2008. | | | |
| Remuneration of the Chief Financial Officer | | | |
| Annual remuneration | | 656 599 | 500 115 |
| Performance bonuses | | 134 400 | 112 000 |
| Car allowance | | 64 000 | 96 000 |
| Contributions to UIF, Medical & Pension Funds | | 168 732 | 153 114 |
| Group Insurance | | 6 624 | 6 624 |
| Industrial Council | | 45 | 41 |
| Total | | 1 030 400 | 867 894 |

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| Remuneration of individual executive directors 30 June 2010 | Civil Services | Electro-Mechanical Services | Development planning & Housing | Corporate Services | Community Services |
|---|-------------------|--------------------------------|--------------------------------------|-----------------------|-----------------------|
| Annual remuneration | 562 358 | 600 568 | 789 402 | 527 484 | 584 363 |
| Performance bonuses | 119 928 | 119 928 | 116 615 | 108 842 | 122 023 |
| Acting allowance | - | - | - | - | - |
| Car allowance | 106 792 | 102 000 | - | 120 000 | 108 000 |
| Contributions to UIF, Medical & Pension Funds | 146 865 | 141 851 | 43 513 | 124 468 | 102 440 |
| Group Insurance | 14 175 | 6 624 | - | 5 447 | 6 624 |
| Industrial Council | 45 | 45 | 45 | 45 | 45 |
| Total | 950 164 | 971 016 | 949 575 | 886 286 | 923 495 |

| Remuneration of individual executive directors 30 June 2009 | Technical Services | Electro-Technical Services | Town Planning & Build control | Corporate Services | Community Services |
|---|-----------------------|-------------------------------|----------------------------------|-----------------------|-----------------------|
| Annual remuneration | 447 456 | 492 278 | 417 314 | 457 014 | 489 266 |
| Performance bonuses | 97 180 | 105 000 | 61 740 | 97 180 | 97 180 |
| Acting allowance | - | - | - | - | - |
| Car allowance | 114 980 | 102 000 | - | 120 000 | 108 000 |
| Contributions to UIF, Medical & Pension Funds | 119 745 | 123 498 | 23 661 | 111 643 | 90 214 |
| Group Insurance | 11 923 | 6 624 | - | 5 447 | 6 624 |
| Industrial Council | 41 | 41 | 24 | 41 | 41 |
| Total | 791 326 | 829 441 | 502 740 | 791 326 | 791 326 |

29. REMUNERATION OF COUNCILLORS

| | 2010 R | 2009 R |
|--|------------------|------------------|
| Executive Mayor | 517 814 | 464 955 |
| Executive Deputy Mayor | 417 670 | 375 160 |
| Speaker | 402 644 | 356 782 |
| Mayoral Committee members | 1 177 903 | 1 058 133 |
| Councillors | 2 801 537 | 2 589 458 |
| Councillors' pension contributions | 406 566 | 518 291 |
| Councillors' medical contributions | 44 496 | 50 285 |
| Travel Cost in Excess of 500km | 12 499 | 14 016 |
| Total Councillors' remuneration | 5 781 129 | 5 427 079 |

In kind benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Mayoral Committee members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at Council's cost. The Executive and Deputy Mayor have access to Council-owned vehicles for ceremonial and official functions. Full-time Councillors are equipped with computers in their offices or at their homes. Ward Committee members are equipped with cellphones for communication purposes.

Certification by Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager

30. IMPAIRMENT COSTS

| | | |
|--|-------------------|-------------------|
| Contribution to Provision for Impairment | 12 513 624 | 12 332 565 |
| Bad Debts : Services | - | - |
| Total impairment costs | 12 513 624 | 12 332 565 |

31. INTEREST PAID

| | | |
|--------------------------|----------------|----------------|
| Long-term Liabilities | 663 501 | 770 555 |
| Current Deposit / Grants | 331 200 | 16 380 |
| Total interest | 994 701 | 786 935 |

32. BULK PURCHASES

| | | |
|-----------------------------|--------------------|-------------------|
| Electricity | 100 033 541 | 85 985 503 |
| Water | 5 469 149 | 6 803 499 |
| Total bulk purchases | 105 502 690 | 92 789 002 |

33. GRANTS AND SUBSIDIES PAID

| | | |
|-------------------------------------|------------------|------------------|
| Grant in Aid (Assessment Rates) | - | - |
| Grant in Aid (Services) | 1 806 263 | 2 340 682 |
| Subsidy: Benefit Discount Scheme | 343 708 | 383 832 |
| SPCA | 387 532 | 275 733 |
| Hessequa Municipality | - | 10 000 |
| Other Donations | 135 000 | - |
| Total grants & subsidies | 2 672 503 | 3 010 247 |

Other Donations:

During 2008/09 no Other Donations were made, whereas an amount of R135 000 was donated during 2009/10. These Other Donations for includes contributions to NSRI, Child Welfare SA, Heart to Heart Care, Rotary Club of Mossel Bay etc.

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34. GENERAL EXPENSES

| | 2010 R | 2009 R |
|---|----------------------|---------------------|
| Audit Fees - External Auditors | 2 550 859 | 1 824 286 |
| Bank Charges | 1 757 705 | 1 682 666 |
| Conferences & Seminars | 32 770 | 38 455 |
| Consultant Fees | 1 820 227 | 1 318 943 |
| Contract Work | 2 845 425 | 3 456 564 |
| Contributions to Alien Vegetation Provision | - | 4 100 000 |
| Contributions to Rehabilitation of Landfill sites Provision | 532 584 | 621 000 |
| Entertainment - Public | 16 697 | 12 910 |
| Fuel & Oil | 3 806 415 | 4 395 680 |
| Hire Charges | 35 475 | 51 363 |
| Housing: Top Structures | 15 805 511 | 12 783 900 |
| Impairment on investment property | 186 421 240 | - |
| Industrial & Tourism - Sect. 21 Co | 2 489 547 | 2 348 742 |
| Insurance | 1 803 394 | 2 014 954 |
| Inventory Items | 309 902 | 248 078 |
| Houses for resale-Written off | 1 051 647 | 150 557 |
| Lease Charges | 958 503 | 857 189 |
| Legal Costs | 963 578 | 876 986 |
| Levy - Bargaining Council | 36 158 | 32 483 |
| Levy - Skills Development (SETA) | 1 109 193 | 934 426 |
| Levy - Water : DWAF | 380 605 | 392 183 |
| Levy-Water Catchmt Man:DWAF | 869 022 | 286 925 |
| Licence Fees | 321 192 | 275 335 |
| Materials and Stores | 8 333 636 | 9 965 665 |
| Public Functions | 141 076 | 204 095 |
| Refuse Tip Site - External | 1 896 536 | 2 175 144 |
| Relief / Charitable Expenses | 76 501 | 54 866 |
| Transfer to Equitable Share | 20 759 262 | 20 865 824 |
| Telephones and Communications | 1 662 904 | 1 720 757 |
| Travelling & Subsistence | 353 624 | 323 656 |
| Water Rural Areas | 282 839 | 108 780 |
| Other | 10 565 319 | 8 680 814 |
| Less: | | |
| Stores handling charges | (359 478) | (684 822) |
| Vehicle and Equipment Recoveries | (14 586) | (7 830) |
| Departmental Costs | - | - |
| Recoverable Expenditure | (515 201) | (676 662) |
| | <hr/> 269 100 082 | <hr/> 81 433 911 |

35. DISCONTINUED OPERATIONS

The operations of the health services, namely Clinics, Community Services and Prime Health Care, was discontinued during the 2007/08 financial year and transferred to the Provincial Administration Western Cape.

Income

| | | |
|--|-------|-------|
| Government subsidies | - | - |
| Insurance claims | - | - |
| Gains from disposal of property, plant and equipment | - | - |
| Total income | <hr/> | <hr/> |

Less: Expenditure

| | | |
|---|---|---|
| General expenses | - | - |
| Net surplus from discontinuing operations | - | - |

The requirements of IFRS 5 have been applied prospectively as allowed by the mentioned Standard.

36. PRIOR YEAR ADJUSTMENTS

36.1 Recognition of fair values of consumer deposits (Refer Note 8 - Consumer Deposits and Note 26 - Other Income)

During the 2008/09 audit process a prior year adjustment was done for the recognition of fair values of consumer deposits, in accordance with COMAF 19 of 2009 received from the Auditor-General. The Accounting Standards Board has however advised that Consumer Deposits does not qualify as a Financial Instrument and should therefore not be discounted, in accordance with IAS 39. The previous years' balances is therefore restated.

Changes to Notes to Annual Financial Statements:

| | | |
|---|--------------------|--|
| <i>Consumer Deposits (Note 8)</i> | | |
| Balance at 30 June 2009 on 2008/09 Financial Statements | 2 749 853 | |
| Unamortised discount recognised for first time for years prior to 2008/09 | 5 779 676 | |
| Unamortised discount recognised for first time for 2008/09 year | 939 337 | |
| Restated balance of Consumer Deposits as at 30 June 2009 | <hr/> 9 468 865 | |

Other income (Note 26)

| | | |
|--|---------------------|--|
| Balance at 30 June 2009 on 2008/09 Financial Statements | 30 192 026 | |
| Unamortised discount on Consumer Deposits for 2008/09 year | (939 337) | |
| Restated balance of Other Income as at 30 June 2009 | <hr/> 29 252 689 | |

The Accumulated surplus, Statement of Financial Position and Statement of Financial Performance for 2008/09 and 2009/10 is adjusted accordingly.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

36.2 Reclassification of income items (Refer Note 26 - Other income and Statement of Financial Performance - Rent of Facilities)

Income in respect of Camping fees and Rental of Chalets was previously recognised under "Other income", but is now recognised under Rent of Facilities income in the Statement of Financial Performance.

Changes to Notes to Annual Financial Statements:

Rent of Facilities (Statement of Financial Performance)

Balance at 30 June 2009 on 2008/09 Financial Statements
Rental-Chalets moved from Other income to Rent of Facilities
Camping fees moved from Other income to Rent of Facilities
Restated balance of Rent of Facilities as at 30 June 2009

| | 2010 | 2009 |
|--|------------------|------|
| | R | R |
| | 1 645 265 | |
| | 2 248 209 | |
| | 4 216 471 | |
| | <u>8 109 944</u> | |

Other income (Note 26)

Balance at 30 June 2009 on 2008/09 Financial Statements
Rental-Chalets moved from Other income to Rent of Facilities
Camping fees moved from Other income to Rent of Facilities
Restated balance of Other Income as at 30 June 2009

| |
|-------------------|
| 30 192 028 |
| (2 248 209) |
| (4 216 471) |
| <u>27 943 817</u> |

The Statement of Financial Performance for 2008/09 and 2009/10 is adjusted accordingly.

36.3 Sundry Debtors (Refer Note 19)

An amount for legal fees was incorrectly raised on a debtor account (Acc nr 99-000000-003-09) during the 2005/06 financial year. This correction was done after receipt of notice to reverse entry from the Legal Department of the Municipality.

Changes to Notes to Annual Financial Statements:

Trade and other receivables from Exchange transactions - Other (Note 18)

Balance at 30 June 2009 on 2008/09 Financial Statements
Correction to Sundry Debtors
Restated balance of Other under receivables from Exchange transactions as at 30 June 2009

| |
|----------------|
| 266 038 |
| (24 428) |
| <u>241 611</u> |

The Trade and Other Receivables from Exchange transactions and the Accumulated surplus for 2008/09 is adjusted accordingly.

36.4 Unspent Conditional Grants and Receipts (Refer Note 11)

Interest received on unspent grants was calculated in accordance with grant contracts and investment interest received. Interest received for the 07/08 and 08/09 years are hereby transferred to the grants.

Changes to Notes to Annual Financial Statements:

Unspent Conditional Grants and Receipts (Note 11)

Provincial Grants:

Balance at 30 June 2009 on 2008/09 Financial Statements
Grants interest for 2008/09 added to unspent grants
Restated balance of Unspent Provincial Grants as at 30 June 2009

| |
|------------------|
| 6 842 838 |
| 36 213 |
| <u>6 879 049</u> |

Other Grants:

Balance at 30 June 2009 on 2008/09 Financial Statements
Grants interest for 2007/08 added to unspent grants
Grants interest for 2008/09 added to unspent grants
Restated balance of Unspent Other Grants at 30 June 2009

| |
|----------------|
| 600 922 |
| 1 398 |
| 2 898 |
| <u>605 216</u> |

Unspent National Grants

Unspent Public Contributions

| |
|-----------|
| 6 811 677 |
| 65 885 |

Restated balance of ALL Unspent Conditional Grants and Receipts at 30 June 2009

| |
|-------------------|
| <u>14 361 827</u> |
|-------------------|

The Unspent conditional grants and receipts and the Accumulated surplus for 2007/08 and 2008/09 is adjusted accordingly.

36.5 Performance Bonus Accrual (Refer Note 10)

The Performance Bonus accrual was not adjusted with the write-back of the accrual not used in the 2008/09 year. The accrual for the 2008/09 year is therefore adjusted downwards in order to only provide for the necessary bonus accrual.

Changes to Notes to Annual Financial Statements:

Trade and other payables - Performance Bonus Accrual (Note 10)

Balance at 30 June 2009 on 2008/09 Financial Statements
Performance accrual written back for 2008/09 year
Restated balance of Performance Bonus Accrual as at 30 June 2009

| |
|----------------|
| 910 435 |
| (328 954) |
| <u>581 481</u> |

The Trade and Other Payables note and the Accumulated surplus for 2008/09 is adjusted accordingly.

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36.6 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL POSITION:

During the year various prior year adjustments was made to the Statement of Financial Position. The following is a summary of all the movements in the prior year balances:

Changes to Net assets and Liabilities:

Balance as at 30 June 2009 (as stated in the 2008/09 Annual Financial Statements):

Net assets:

Accumulated surplus / (deficit)

Non-current Liabilities:

Current Liabilities:

Consumer deposits (Refer note 36.1)

Unspent conditional grants and receipts (Refer note 36.4)

Restated balance of Net assets and Liabilities as at 30 June 2009

| | 2010 R | 2009 R |
|--|--------------|---------------------|
| Balance as at 30 June 2009 (as stated in the 2008/09 Annual Financial Statements): | 1634 704 329 | |
| <u>Net assets:</u> | | (6 783 945) |
| Accumulated surplus / (deficit) | | (6 783 945) |
| <u>Non-current Liabilities:</u> | | |
| <u>Current Liabilities:</u> | | 6 759 519 |
| Consumer deposits (Refer note 36.1) | | 6 719 012 |
| Unspent conditional grants and receipts (Refer note 36.4) | | 40 507 |
| Restated balance of Net assets and Liabilities as at 30 June 2009 | | <u>1634 679 903</u> |

Changes to Assets:

Balance as at 30 June 2009 (as stated in the 2008/09 Annual Financial Statements):

1634 704 329

Non-current Assets:

Current Assets:

Trade and other receivables from Exchange transactions (Refer note 36.3)

(24 426)

(24 426)

Restated balance of Assets as at 30 June 2009

1634 679 903

36.7 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL PERFORMANCE:

During the year various prior year adjustments was made to the Statement of Financial Performance. The following is a summary of all the movements in the prior year balances:

Surplus for the year (as stated in 2008/09 Annual Financial Statements):

44 295 627

Revenue adjustments:

Other income : Rental - Chalets (refer note 36.2)

(939 337)

(2 248 209)

Other income : Camping fees (refer note 36.2)

(4 216 471)

Other income : Unamortised discount on Consumer Deposits (refer note 36.1)

(939 337)

Rental of facilities and equipment (refer note 36.2)

6 464 680

Expenditure adjustments:

Restated Surplus for the year

43 356 290

36.8 SUMMARY OF CHANGES TO STATEMENT OF CHANGES IN NET ASSETS:

During the year various prior year adjustments was made to the Statement of Changes in Net Assets. The following is a summary of all the movements in the prior year balances for the Accumulated Surplus, Capital Replacement Reserve and the Housing Development Fund:

Changes to Accumulated Surplus:

Balance as at 30 June 2009 (as stated in the 2008/09 Annual Financial Statements):

1370 577 164

Consumer Deposits (Refer note 36.1)

(6 719 012)

Trade and other receivables from Exchange transactions (Refer note 36.3)

(24 426)

Unspent conditional grants and receipts (Refer note 36.4)

(4 205 07)

Performance Bonus accrual (Refer note 36.5)

328 954

Restated balance of Accumulated Surplus as at 30 June 2009

1364 122 173

Changes to Capital Replacement Reserve:

Balance as at 30 June 2009 (as stated in the 2008/09 Annual Financial Statements):

101 808 566

Restated balance of Capital Replacement Reserve as at 30 June 2009

101 808 566

Changes to Housing Development Fund:

Balance as at 30 June 2009 (as stated in the 2008/09 Annual Financial Statements):

9 854 240

Restated balance of Housing Development Fund as at 30 June 2009

9 854 240

37. CHANGE IN ACCOUNTING POLICY

No adjustments due to changes in the accounting policy occurred during the current financial year.

38. CHANGE IN ACCOUNTING ESTIMATES

No adjustments due to changes in the accounting estimates occurred during the current financial year.

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| | | 2010 R | 2009 R |
|---|---------|--|-------------------|
| 39. CASH GENERATED BY OPERATIONS | | | |
| Surplus for the year | | (5 697 542) | 43 356 290 |
| Adjustment for: | | | |
| Depreciation and Amortisation | | 25 886 985 | 23 068 214 |
| Depreciation - Previous year adjustment | | (9 546 790) | 261 517 |
| Gain and loss on disposal of property, plant and equipment | | 6 483 727 | 6 254 036 |
| Contributions to provisions (non-current) | | 2 817 006 | 2 945 286 |
| Contributions to provisions (current) | | 5 340 126 | 1 410 476 |
| Actuarial loss | | (83 859) | (6 625 714) |
| Actuarial gains | | 11 324 190 | 11 946 971 |
| Contributions to bad debt provision | | (10 135 596) | (14 699 448) |
| Bad Debts written off | | (18 842 230) | (27 290 762) |
| Investment Income | | (510) | (1 296) |
| Interest on Unamortised discounts | | (609) | (5 444) |
| Operating Lease Income | | 31 721 | 59 531 |
| Operating Lease Expenses | | 994 701 | 786 935 |
| Operating surplus before working capital changes: | | 8 571 322 | 41 466 593 |
| (Increase) / Decrease in inventories | | (811 348) | 696 882 |
| (Increase) / Decrease in receivables from exchange transactions | | (3 585 079) | 1 811 948 |
| (Increase) / Decrease in receivables from non-exchange transactions | | (22 760 333) | (5 124 447) |
| (Decrease) / Increase in conditional grants & receipts | | (608 309) | 11 405 830 |
| Increase / (Decrease) in VAT | | (10 770) | (1 109 281) |
| Increase / (Decrease) in trade payables | | 23 175 266 | 19 107 708 |
| Cash generated by operations | | 3 970 749 | 68 255 233 |
| 40. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION | | | |
| Long-term liabilities (see note 4) | | 3 776 793 | 4 899 619 |
| Used to finance PPE - at cost | | - | - |
| Sub-total | | 3 776 793 | 4 899 619 |
| Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See note 21). | | | |
| 41. UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE | | | |
| 41.1 <u>Unauthorised expenditure</u> | | | |
| Reconciliation of unauthorised expenditure | | | |
| Opening balance | | - | - |
| Unauthorised expenditure current year | | - | - |
| Approved by council or condoned | | - | - |
| Transfer to receivables for recovery (note 19) | | - | - |
| Unauthorised expenditure awaiting authorisation | | - | - |
| 41.2 <u>Fruitless & wasteful expenditure</u> | | | |
| Reconciliation of fruitless and wasteful expenditure | | | |
| Opening balance | | - | - |
| Fruitless and wasteful expenditure current year | | 1 767 | - |
| Condoned or written off by Council | | (1 767) | - |
| To be recovered - contingent asset | | - | - |
| Fruitless and wasteful expenditure awaiting condonement | | - | - |
| 2010 | | | |
| Incident | | Disciplinary steps/criminal proceedings | |
| Late cancellation of accommodation - SALGA | | | |
| Workshop could not be attended due to illness | R 520 | Council decision to write off expenditure | |
| Leave application forms for dismissed employee received late. | | | |
| Leave days owed to Council = 6 days | R 1,247 | Council decision to write off expenditure | |
| 41.3 <u>Irregular expenditure</u> | | | |
| Reconciliation of irregular expenditure | | | |
| Opening balance | | - | - |
| Irregular expenditure current year | | - | - |
| Recovered | | - | - |
| Condoned or written off by Council (in accordance with SCM policy) | | - | - |
| Transfer to receivables for recovery - not condoned | | - | - |
| Irregular expenditure awaiting condonement | | - | - |

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42. ADDITIONAL DISCLOSURES I.t.o THE MFMA

| | | 2010 R | 2009 R |
|--|-------------|---|--|
| 42.1 Contributions to SALGA | | | |
| Opening balance | | - | - |
| Council subscriptions | | 487 037 | 487 037 |
| Amount paid - current year | | (487 037) | (487 037) |
| Amount paid - previous years | | - | - |
| Balance unpaid (included in Trade payables) | | <u><u>-</u></u> | <u><u>-</u></u> |
| 42.2 Audit fees | | | |
| External Audit Fees | | | |
| Opening balance | | - | - |
| Current year audit fee | | 2 550 859 | 1 824 286 |
| Amount paid - current year | | (2 556 590) | (1 824 286) |
| Amount paid - previous years | | - | - |
| Balance recoverable (included in Other Receivables) | | <u><u>(5 731)</u></u> | <u><u>-</u></u> |
| Internal Audit Fees | | | |
| Opening balance | | - | - |
| Current year audit fee | | 540 215 | 539 156 |
| Amount paid - current year | | (540 215) | (539 156) |
| Amount paid - previous years | | - | - |
| Balance unpaid (included in Trade payables) | | <u><u>-</u></u> | <u><u>-</u></u> |
| 42.3 VAT | | | |
| VAT inputs receivables and VAT outputs receivables are shown in Note 12. | | | |
| All VAT returns have been submitted by the due date throughout the year. | | | |
| 42.4 PAYE and UIF | | | |
| Opening balance | | 40 | - |
| Current year payroll deductions | | 17 094 864 | 14 280 068 |
| Amount paid - current year | | (17 097 665) | (14 280 028) |
| Amount paid - previous years | | - | - |
| Balance unpaid (included in Trade payables) | | <u><u>(2 762)</u></u> | <u><u>40</u></u> |
| 42.5 Pension, Provident and medical aid contributions | | | |
| Opening balance | | 0 | - |
| Current year payroll deductions and council contributions | | 32 106 971 | 27 518 895 |
| Amount paid - current year | | (32 106 971) | (27 518 895) |
| Amount paid - previous years | | - | - |
| Balance unpaid (included in Trade payables) | | <u><u>0</u></u> | <u><u>0</u></u> |
| 42.6 Councillor's arrear consumer accounts | | | |
| The following Councillors had arrear accounts outstanding as at 30 June for more than 90 days: | | | |
| | | <u>Total</u> | <u>Outstanding less than 90 days</u> |
| 30 June 2010 | | 4,734 | 1,289 |
| R Skombingo | | <u><u>4 734</u></u> | <u><u>1 289</u></u> |
| Total Councillor Arrear Consumer Accounts | | <u><u>4 734</u></u> | <u><u>1 289</u></u> |
| | | <u>Outstanding more than 90 days</u> | <u>Outstanding more than 90 days</u> |
| 30 June 2009 | | 0 | 0 |
| None | | 0 | 0 |
| Total Councillor Arrear Consumer Accounts | | <u><u>0</u></u> | <u><u>0</u></u> |
| During the year the following councillors had arrear accounts outstanding for more than 90 days: | | | |
| | | <u>Month</u> | <u>Highest Amount Outstanding</u> |
| | | <u>R</u> | <u>Ageing</u> |
| 1 July 2009 to 30 June 2010 | | | |
| S Moodie | | December 2010 | 222 |
| R Skombingo | | June 2010 | 3 445 |
| Booyens | | December 2010 | 787 |
| 1 July 2008 to 30 June 2009 | | | |
| SW Manual | | 1 015 | 90+ days |
| 42.7 Non-compliance with Chapter 11 of the MFMA | | | |
| The following deviations and ratifications of minor breaches of procurement processes are reported to council in terms of Paragraph 36(2) of the SCM Policy: | | | |
| SERVICE CONTRACTS: | | | |
| DEPARTMENT | DATE | CONTRACT | DEVIAITON |
| Corporate Services | 06.07.2009 | Extension of contract for Development and Implementation of Performance Management - Total Amount = R193 200 | Ignite Advisory Services has done the SDBIP (Service Delivery Budget Implementation Plan) of the Municipality and has complete knowledge of our Council. |
| Town Planning & Building Control | 24.07.2009 | Slope stability and foundation integrity assessment, Erven 171, 196 and 200, Terniet, Mossel Bay - Total Amount = R73 012 | Services of SRK Consulting Engineers and Scientists used. These landowners have, in this case of erf 196, instituted legal action against the Municipality. SRK were approached to provide a professional opinion on the issues concerned. |

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CLOSED QUOTATIONS / TENDERS:

| MONTH | R0 - R20 000 | R20 001 - R50 000 | R50 001 - R100 000 | R100 001 - R200 000 |
|--------------------|----------------|-------------------|--------------------|---------------------|
| July 2009 | 136 693 | 71 323 | 54 384 | - |
| Aug 2009 | 105 608 | 54 713 | 198 268 | - |
| Sep 2009 | 77 113 | 34 544 | 94 776 | - |
| Oct 2009 | 77 982 | 42 544 | - | - |
| Nov 2009 | 68 564 | 117 689 | - | - |
| Dec 2009 | 28 555 | 58 248 | - | - |
| Jan 2010 | 86 725 | 182 855 | - | - |
| Feb 2010 | 82 552 | 118 760 | - | 114 570 |
| Mar 2010 | 45 587 | 133 728 | 50 830 | - |
| Apr 2010 | 26 729 | 75 066 | 144 215 | - |
| May 2010 | 39 884 | 124 467 | 54 378 | 126 141 |
| Jun 2010 | 47 771 | - | 50 830 | - |
| Grand Total | 823 763 | 1 013 938 | 647 681 | 240 711 |

The following quotations/tenders are separately disclosed due to materiality:

| PRODUCT / SERVICE | DATE | BIDDER | AMOUNT | DEVIATION |
|---|------------|-----------------------------------|--|---|
| Tender 79/2009: Civil Works for Reverse Osmosis Facility and Associates works at the Regional Waste Water Treatment Works | 28.01.2010 | Urhwebo e-Transand | R16 826 436 | Emergency as a result of the emergency situation caused by the drought. Bid was not advertised, but bidders were invited to tender. |
| Mossel Bay Desalination plant seawater intake and brine discharge works | 25.06.2010 | Murray & Roberts Marine (Pty) Ltd | Negotiated Contract - Direct fee percentage is 15% | Emergency |

42.8 LEVIES PAID TO OTHER GOVERNMENT ORGANISATIONS

| | 2010 R | 2009 R |
|---|-----------|-----------|
| 42.8.1 Levy Department of Water Affairs and Forestry : Water | 380 605 | 392 183 |
| 42.8.2 Levy Department of Water Affairs and Forestry : Water Catchment Management | 869 022 | 286 925 |
| 42.8.3 Skills Development Levy | 1 109 193 | 934 426 |
| 42.8.4 Levy Bargaining Council | 36 158 | 32 483 |

42.9 MATERIAL LOSSES

Electricity distribution losses

| | | |
|--|-------------|-------------|
| - Units purchased (Kwh) | 287,022,603 | 307,403,704 |
| - Units lost during distribution (Kwh) | 21,524,773 | 15,349,538 |
| - Percentage lost during distribution | 7.5% | 4.99% |

Water distribution losses

| | | |
|--|--------|--------|
| - Mega litres purified | 6,471 | 9,790 |
| - Mega litres lost during distribution | 1,395 | 1,462 |
| - Percentage lost during distribution | 21.56% | 14.93% |

43. CONTRACTUAL COMMITMENTS

Commitments in respect of capital expenditure:

| | | |
|------------------------------|------------|------------|
| -approved and contracted for | 32 892 300 | 40 607 120 |
| Infrastructure | 31 522 300 | 32 795 000 |
| Community | 670 000 | 150 000 |
| Other | 700 000 | 7 662 120 |

This expenditure will be financed from:

| | | |
|-----------------------------------|------------|------------|
| -Finance leases | - | 200 000 |
| -Capital replacement reserve | 14 040 000 | 30 118 520 |
| -Government grants | 18 852 300 | 6 988 600 |
| -Public contributions / donations | - | 3 300 000 |
| | 32 892 300 | 40 607 120 |

44. RELATED PARTY TRANSACTIONS

Parties are considered to be related if:

- One party has the ability to control the other party or
- Exercise significant influence over the other party in making financial and operating decisions.

44.1 Related Party Transactions

Year ended 30 June 2010
Councillors
Municipal Manager and Section 57 Personnel
Municipal Entities

Year ended 30 June 2009
Councillors
Municipal Manager and Section 57 Personnel
Municipal Entities

The rates, service charges and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

Rates and service
charges
R

Outstanding
balances
R

132 192

57 768

-

-

-

-

-

-

-

-

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44.2 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004. Loans that were granted prior to this date, together with the conditions, are disclosed in note 16 to the Annual Financial Statements.

44.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 28.

44.4 Other related party transactions

The following are awards above R2 000 made either to persons in the service of the state or to spouses, children or parents of anybody in the service of the state.

QUOTATIONS:

| QUOTATION | AWARDED TO | TOTAL AMOUNT FOR 09/10 YEAR | RELATION |
|--|-------------------------|-----------------------------|---|
| Repair burst sewer pipe, building of manhole and installation of a new sewerage line | Marracon (Pty) Ltd | R93 518 | The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality. |
| Impounding of Vehicles, boats, livestock as per closed quotation | Steph Peterson Holdings | R72 250 | The wife of Mr Peterson (the owner of Steph Peterson Holdings) is an employee at Mossel Bay Municipality. |
| Hire machinery, material & equipment | Masshire Holdings | R54 371 | Councillor JV Booyens is a Director of Masshire Holdings. |

TENDERS:

| TENDER | DATE | AWARDED TO | AMOUNT | RELATION |
|---|------------|-------------------------------------|----------------------------------|---|
| Tender 53/2009: Deforestation | 12/10/2009 | Steph Petersen Holdings | Various prices. Contract tender. | The wife of Mr Peterson (the owner of Steph Peterson Holdings) is an employee at Mossel Bay Municipality. |
| Tender 53/2009: Deforestation | 12/10/2009 | Frima | Various prices. Contract tender. | The owner is employed by the South African Police Services. |
| Tender 60/2009: Mossel Bay: Upgrading of Raw Waterlines | 21/12/2009 | A2 Loodgieters / Mabungwe Civils JV | R7 803 068 | The wife of the owner is an employee at Correctional Services. |
| Tender 16/2010: Supply and delivery of bricks, sand, gravel and stone | 31/05/2010 | Marracon (Pty) Ltd | Various prices. Contract tender. | The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality. |
| Tender 17/2010: Supply and delivery of bitumen, quicksetting slurry, primers and asphalt bags for road-resealing purposes | 07/08/2010 | Kay Beez Development Projects CC | Various prices. Contract tender. | The wife of the owner is an employee at the Department of Health Services. |
| Tender 19/2010: Delivery and hire of machines and trucks | 14/08/2010 | Marracon (Pty) Ltd | Various prices. Contract tender. | The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality. |

Alderlady M Ferreira (Executive Mayor) do not have any shareholding or interest in Marracon (Pty) Ltd as per the above awards.

The transactions are concluded in full compliance with the Supply Chain Management policy of the Council and the transactions are considered to be at arms length.

45. FINANCIAL RISK MANAGEMENT

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the mayoral committee.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are cut immediately.

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The maximum credit and interest rate risk exposure in respect of relevant financial instruments is as follows:

| Description of type of financial instrument | 2010 R | 2009 R |
|--|--------------------|--------------------|
| Long term receivables | 3 658 617 | 3 972 674 |
| Trade and Other Receivables from Exchange transactions | 50 898 445 | 47 313 386 |
| Other Receivables from Non-Exchange transactions | 43 000 060 | 24 527 278 |
| Cash and Cash Equivalents | 187 013 980 | 203 013 980 |
| Maximum credit and interest rate risk exposure | 284 571 102 | 278 827 298 |

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46. FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets and liabilities of the municipality are classified as follows:

| SUMMARY OF FINANCIAL ASSETS | | 2010 | 2009 |
|--|---------------------------------------|--------------------|-------------|
| | | R | R |
| Loans and Receivables: | | | |
| Short-term Investment Deposits | Fixed deposits - due within 12 months | 187 000 000 | 203 000 000 |
| Bank Balances | - | - | - |
| Petty cash and advances | 13 980 | 13 980 | |
| Long-term Receivables | (0) | - | - |
| Long-term Receivables | 165 724 | 107 150 | |
| Long-term Receivables | 31 720 | 34 065 | |
| Long-term Receivables | 295 086 | 249 320 | |
| Long-term Receivables | 1 694 903 | 830 501 | |
| Long-term Receivables | 34 882 022 | 29 681 891 | |
| Trade and Other Receivables from Exchange transactions | 2 308 | 5 474 | |
| Trade and Other Receivables from Exchange transactions | 3 539 | 6 379 | |
| Trade and Other Receivables from Exchange transactions | 588 942 | 559 458 | |
| Trade and Other Receivables from Exchange transactions | 234 450 | 246 097 | |
| Trade and Other Receivables from Exchange transactions | 377 195 | 241 611 | |
| Trade and Other Receivables from Exchange transactions | 6 807 720 | 5 303 691 | |
| Other Receivables from Non-Exchange transactions | 4 655 571 | 12 952 311 | |
| Other Receivables from Non-Exchange transactions | 515 615 | - | |
| Other Receivables from Non-Exchange transactions | 31 191 165 | 6 271 275 | |
| Other Receivables from Non-Exchange transactions | - | 46 643 | |
| Current portion of Long-term Receivables | 80 157 | 175 228 | |
| Current portion of Long-term Receivables | 1 437 | 642 | |
| Current portion of Long-term Receivables | 328 360 | 301 418 | |
| Total loans and receivables | 268 869 893 | 260 027 131 | |
| Total Financial Assets | 268 869 893 | 260 027 131 | |
| SUMMARY OF FINANCIAL LIABILITIES | | | |
| Long term liabilities | Local registered stock loans | 523 887 | 495 527 |
| Long term liabilities | Annuity loans | 49 421 | 80 757 |
| Long term liabilities | Finance lease liability | 1 522 491 | 2 418 733 |
| Trade and Other Payables | Trade and Other Payables | 69 880 293 | 44 822 808 |
| Bank Overdraft | Bank Overdraft | 8 270 712 | 1 098 895 |
| Current portion of long term liabilities | Local registered stock loans | 80 157 | 160 957 |
| Current portion of long term liabilities | Annuity loans | 77 039 | 239 973 |
| Current portion of long term liabilities | Finance lease liability | 1 523 799 | 1 503 671 |
| Total Financial Liabilities | 81 927 798 | 50 821 322 | |

Fair Values

The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and Cash Equivalents

The carrying amount approximates the fair value due to the relatively short-term nature of these financial assets.

Trade and Other receivables / payables

The carrying amount of trade and other receivables (net of provision for impairment) / payables approximates fair value due to the relatively short-term nature of these assets / liabilities.

Long-term Receivables / payables

Subsequent to initial recognition, interest bearing borrowings and receivables are stated at amortised cost. Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market-related interest rates at the reporting date.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus. The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

| | 2010 | 2009 |
|---|------------------|------------------|
| | 1% | 1% |
| | R | R |
| Increase in interest rates | | |
| The estimated increase in basis points | | |
| Financial Assets | 2 688 699 | 2 600 271 |
| Financial Liabilities | 819 278 | 508 213 |
| Net effect on surplus (Financial Assets minus Financial Liabilities) | 1 869 421 | 2 092 058 |

MOSSEL BAY MUNICIPALITY

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47. CONTINGENT LIABILITY

47.1 Contractual disputes

Contractual claims in respect of court cases that are currently in dispute and being addressed through mediation the maximum unforeseen liability is estimated at R5 463 000. One of these claims has been referred to our insurance company for the recovery of R963 000.

47.2 Guarantees of employees housing loans

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans. This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases. The maximum amount of the guarantees amount to R111 233, and council has a right to recovery.

47.3 Other

An arbitration hearing on the interpretation/application of Collective Agreement (Salary and Wage Collective Agreement) was held on 18 May 2010. An order was made that in the 2009/10 fiscal year the employees were entitled to have the benefits such as overtime and leave pay calculated on the basis of a 13% increase. SALGA has issued a letter to the Municipality on the 30th of June 2010, urging municipalities not to implement the outcome as they are taking legal advice on the matter. A calculation was made on what the impact of the implementation of the arbitration outcome will be which amounted to a total payout to employees of R333 821.

48. EVENTS AFTER THE REPORTING DATE

On Wednesday, 21 July 2010, three motor vehicles of the Traffic Department of Mossel Bay Municipality was damaged due to a fire. Two of the vehicles was almost totally destroyed and the third had minor damage. A case of deliberate damage of property / arson was opened at the police and a claim was submitted to the municipality's insurers. There will be no probable loss for Council as these damages will most probably be recovered from insurance.

On Thursday, 1 July 2010 at 01:30 the morning, the Mossel Bay Fire Department received a call that the Human Resources building of Mossel Bay Municipality was on fire. The fire was extinguished, but only after one office was completely ruined and heat and smoke damages was also caused. Various claims for office equipment and repairs was submitted to the municipality's insurers. The insurers will handle the major repairs to the building themselves. A total cost of R501 185 is estimated for the repair of the building and replacement of assets.

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Note 49: Implication of standards approved but not yet effective:

| Std. no. | Standard title | Standard requirements | Earlier implementation Y/N | Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards |
|----------|--|-----------------------|----------------------------|--|
| GRAP 18 | Segment reporting | Entire standard | N | <p>The AFS will have to be adjusted to ensure that the disclosure requirements relating to segment information are met.</p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ol style="list-style-type: none"> 1) Segment revenue for every reportable segment. 2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to acquire reportable segment long term assets. 5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in GRAP 18 will also need to be disclosed in the AFS.</p> <p>Note should be taken of the information disclosed as per Appendix C, D, (E1) and (E2).</p> |
| GRAP 21 | Impairment of non-cash-generating assets | Entire Standard | N | <p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ol style="list-style-type: none"> 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by GRAP 21 |
| GRAP 23 | Revenue from Non-Exchange transactions | Entire standard | N | No adjustments to the AFS are required as the municipality already complies with the requirements of GRAP 23 |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

| | | | | |
|----------|--|-----------------|---|--|
| GRAP 24 | Presentation of Budget Information in the Financial Statements | Entire Standard | N | The AFS will have to be adjusted to ensure that the disclosure requirements relating to budgeted information are met. Budgeted information is currently disclosed under Appendix (E1) and (E2) and statement of financial performance. Additional disclosure notes should however be disclosed to comply with GRAP 24. |
| GRAP 25 | Employee Benefits | Entire Standard | N | The adjustments will not be material due to the fact that the Municipality already complies with IAS 19 with regards to Employee Benefits. |
| GRAP 26 | Impairment of cash generating assets | Entire Standard | N | The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time: <ol style="list-style-type: none"> 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by GRAP 26 |
| GRAP 103 | Heritage assets | Entire Standard | N | Additional disclosure will be done on all Heritage assets identified. |
| GRAP 104 | Financial Instruments | Entire Standard | N | The adjustments will not be material due to the fact that the Municipality already complies with IAS 32, IAS 39 and IFRS 7 with regards to Financial Instruments. |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

APPENDICES

Appendix A : Schedule of External Loans

| SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010 | | | | | | | | | |
|---|-------------|------------|-------------------------|----------------------------|--|-------------------------------|-------------------------|----------------------------|--|
| External loans | Loan number | Redeemable | Balance at 30 June 2009 | Received during the period | Redeemed written off during the period | Unamortised discount on loans | Balance at 30 June 2010 | Carrying value of PPE R | Other costs in accordance with the MFMA R |
| STOCK LOANS | | | R | R | R | | R | | |
| Stock loan @ 15.00% | 1/89/90 | 2009/12/31 | 1 712 | - | 25 000 | 23 288 | 0 | - | - |
| Stock loan @ 14.75% | 1/92/93 | 2009/06/29 | 42 766 | - | 42 766 | | - | - | - |
| Stock loan @ 15.00% | 1/97 | 2012/12/31 | 8 909 | - | | (2 017) | 6 891 | - | - |
| Stock loan @ 15.00% | 2/97 | 2012/12/31 | 4 627 | - | | (1 048) | 3 580 | - | - |
| Stock loan @ 15.00% | 1/99 | 2013/12/31 | 3 732 | - | | (541) | 3 191 | - | - |
| Stock loan @ 15.00% | 2/99 | 2015/12/31 | 92 500 | - | | | 92 500 | - | - |
| Stock loan @ 15.00% | 2/2000/01 | 2015/11/01 | 13 538 | - | | | 13 538 | - | - |
| Stock loan @ 15.00% | 1/2000/01 | 2015/07/20 | 92 308 | - | | | 92 308 | - | - |
| Stock loan @ 15.00% | 4/2000/01 | 2016/03/01 | 13 847 | - | | | 13 847 | - | - |
| Stock loan @ 15.00% | 1/2001/02 | 2016/10/01 | 178 462 | - | | | 178 462 | - | - |
| Stock loan @ 15.00% | 2/2001/02 | 2016/10/01 | 36 924 | - | | | 36 924 | - | - |
| Stock loan @ 15.00% | 1/2002/03 | 2018/03/07 | 61 539 | - | | | 61 539 | - | - |
| Stock loan @ 12.00% | 2/2003/04 | 2018/10/31 | 30 714 | - | | | 30 714 | - | - |
| Stock loan @ 12.00% | 1/2003/04 | 2018/09/18 | 74 907 | - | | (4 357) | 70 550 | - | - |
| Total long-term loans | | | 656 484 | - | 67 766 | 15 326 | 604 044 | - | - |
| ANNUITY LOANS | | | | | | | | | |
| Eden District Municipality @ 0.00% | - | 2009/08/31 | 142 612 | - | 162 934 | 20 322 | (0) | - | - |
| Eden District Municipality @ 0.00% | - | 2012/02/28 | 178 119 | - | 77 039 | 25 380 | 126 460 | - | - |
| Total annuity loans | | | 320 731 | - | 239 973 | 45 703 | 126 460 | - | - |
| FINANCE LEASES | | | | | | | | | |
| Rentworks Africa | | | 1 578 864 | 377 305 | 659 495 | | 1 296 673 | 1 177 187 | |
| Fleet Africa | | | 2 251 830 | 296 562 | 829 613 | | 1 718 779 | 1 039 841 | |
| Nashua | | | 91 710 | | 60 873 | | 30 837 | 307 442 | |
| Total finance leases | | | 3 922 404 | 673 867 | 1 549 982 | - | 3 046 290 | 2 524 470 | - |
| TOTAL EXTERNAL LOANS | | | 4 899 619 | 673 867 | 1 857 721 | 61 028 | 3 776 794 | 2 524 470 | - |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix B : Analysis of PPE

| ANALYSIS OF PPE AS AT 30 JUNE 2010 | | | | | | | | | | | | | |
|------------------------------------|------------------|--------------------|-------------|-----------|-----------------|--------------------------|------------|-------------------|-----------|------------------------|-----------------|----------------|------------------|
| | Cost/revaluation | | | | | Accumulated depreciation | | | | | | Carrying value | Budget additions |
| | Opening balance | Under construction | Additions | Disposals | Closing balance | Opening balance | Additions | Impairment losses | Disposals | Change in Useful lives | Closing balance | | |
| Land & Buildings | | | | | | | | | | | | | |
| Land | 300 693 163 | - | 507 619 | | 301 200 782 | - | - | - | - | - | - | 301 200 782 | |
| Buildings | 124 447 208 | 2 034 272 | 1 384 809 | | 127 866 290 | 29 397 794 | 4 240 331 | - | - | (34 877) | 33 603 248 | 94 263 041 | |
| | 425 140 371 | 2 034 272 | 1 892 428 | - | 429 067 072 | 29 397 794 | 4 240 331 | - | - | (34 877) | 33 603 248 | 395 463 823 | - |
| Infrastructure | | | | | | | | | | | | | |
| Drains | - | 10 686 619 | - | - | 10 686 619 | - | - | - | - | - | - | 10 686 619 | |
| Roads | 123 881 383 | 9 642 312 | 48 998 394 | - | 182 522 089 | 43 677 907 | 3 178 193 | - | - | - | 46 856 100 | 135 665 989 | |
| Beach improvements | - | - | - | - | - | - | - | - | - | - | - | - | |
| Sewerage mains & Purif | 89 327 695 | 17 355 483 | 4 493 949 | - | 111 177 127 | 32 054 286 | 2 697 034 | - | - | - | 34 751 320 | 76 425 807 | |
| Electricity mains | 106 944 267 | 722 518 | 20 167 949 | 84 426 | 127 750 308 | 37 404 788 | 2 789 387 | - | 24 041 | - | 40 170 133 | 87 580 175 | |
| Electricity peak load equipment | 9 465 508 | 13 352 937 | 515 688 | - | 23 334 134 | 164 082 | - | - | - | - | 164 082 | 23 170 052 | |
| Water mains & purification | 17 893 438 | 51 555 935 | 47 289 230 | - | 116 738 603 | 7 032 038 | 1 374 749 | - | - | - | 8 406 787 | 108 331 816 | |
| Reservoirs - water | 45 786 757 | - | - | - | 45 786 757 | 14 327 122 | 761 545 | - | - | - | 15 088 666 | 30 698 090 | |
| Water meters | - | - | - | - | - | - | - | - | - | - | - | - | |
| Water mains | 44 444 479 | 1 526 221 | - | - | 45 970 700 | 21 095 043 | 733 415 | - | - | - | 21 828 458 | 24 142 242 | |
| | 437 743 527 | 104 842 025 | 121 465 211 | 84 426 | 663 966 338 | 155 755 265 | 11 534 322 | - | 24 041 | - | 167 265 546 | 496 700 792 | - |
| Community assets | | | | | | | | | | | | | |
| Parks & gardens | 3 336 738 | - | 4 091 957 | - | 7 428 695 | 783 661 | 217 704 | - | - | - | 1 001 365 | 6 427 330 | |
| Libraries | 3 273 141 | - | - | - | 3 273 141 | 813 784 | 109 105 | - | - | - | 922 889 | 2 350 252 | |
| Recreation grounds | 12 249 388 | - | 63 230 | - | 12 312 618 | 2 944 794 | 577 012 | - | - | - | 3 521 806 | 8 790 811 | |
| Civic buildings | 52 123 801 | - | - | - | 52 123 801 | 10 575 889 | 1 730 844 | - | - | - | 12 306 733 | 39 817 068 | |
| | 70 983 068 | - | 4 155 187 | - | 75 138 254 | 15 118 128 | 2 634 665 | - | - | - | 17 752 793 | 57 385 462 | - |
| Heritage assets | | | | | | | | | | | | | |
| Historical buildings | - | - | - | - | - | - | - | - | - | - | - | - | |
| Painting & art galleries | - | - | - | - | - | - | - | - | - | - | - | - | |
| | - | - | - | - | - | - | - | - | - | - | - | - | |
| Total carried forward | 933 866 966 | 106 876 298 | 127 512 826 | 84 426 | 1168 171 664 | 200 271 188 | 18 409 318 | - | 24 041 | (34 877) | 218 621 587 | 949 550 077 | - |

MOSSEL BAY MUNICIPALITY

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Appendix B : Analysis of PPE (continues)

| ANALYSIS OF PPE AS AT 30 JUNE 2009 | | | | | | | | | | | | | | |
|------------------------------------|-----------------|--------------------|-------------------------|-----------|-----------------|--------------------------|------------|-------------------|-----------|------------------------|-----------------|--------------|----------------|------------------|
| | Cost/valuation | | | | | Accumulated depreciation | | | | | | | Carrying value | Budget additions |
| | Opening balance | Under construction | Additions / Revaluation | Disposals | Closing balance | Opening balance | Additions | Impairment losses | Disposals | Change in Useful lives | Closing balance | | | |
| Total brought forward | 933 866 966 | 106 876 298 | 127 512 826 | 84 426 | 1168 171 664 | 200 271 188 | 18 409 318 | - | 24 041 | (34 877) | 218 621 587 | 949 550 077 | - | |
| Housing rental stock | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Housing rental 1 | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Housing rental 2 | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Leased assets (Infrastructure) | 5 602 868 | - | 673 857 | 218 844 | 6 057 881 | 2 270 725 | 1 464 112 | - | 195 656 | | 3 539 181 | 2 518 700 | - | |
| Leased assets (Infrastructure) | 5 602 868 | - | 673 857 | 218 844 | 6 057 881 | 2 270 725 | 1 464 112 | - | 195 656 | - | 3 539 181 | 2 518 700 | - | |
| Other assets | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Landfill sites | 27 621 273 | - | 4 333 970 | 745 510 | 31 209 733 | 11 282 405 | 3 943 243 | - | 548 660 | (9 011) | 14 667 978 | 16 541 755 | | |
| Office equipment | 964 622 | - | 602 934 | 17 463 | 1 550 093 | 491 312 | 235 694 | - | 16 358 | 7 385 | 718 033 | 832 060 | | |
| Furniture & fittings | 282 863 | - | 537 | - | 283 400 | 162 627 | 36 067 | - | - | (3 105) | 195 588 | 87 812 | | |
| Bins & containers | 30 000 | - | 435 468 | - | 465 468 | 30 000 | 27 295 | - | - | - | 57 295 | 408 172 | | |
| Emergency equipment | 11 716 169 | - | 2 952 802 | 363 282 | 14 305 690 | 5 233 832 | 1 366 513 | - | 271 705 | 21 146 | 6 349 785 | 7 955 904 | | |
| Motor vehicles | 2 455 019 | - | - | - | 2 455 019 | 742 170 | 158 946 | - | - | - | 901 116 | 1 553 903 | | |
| Fire engines | 1 220 660 | - | 193 446 | 105 529 | 1 308 577 | 642 712 | 141 023 | - | 70 622 | 1 700 | 714 813 | 593 764 | | |
| Refuse tankers | 1 439 112 | - | 111 988 | 28 666 | 1 522 434 | 924 328 | 204 174 | - | 21 202 | 5 835 | 1 113 135 | 409 299 | | |
| Council regalia | 1 980 | - | - | - | 1 980 | 208 | 69 | - | - | - | 277 | 1 703 | | |
| Conservancy tankers | - | - | - | - | - | - | - | - | - | - | - | - | | |
| Watercraft | - | - | - | - | - | - | - | - | - | - | - | - | | |
| | 45 731 699 | - | 8 631 144 | 1 260 449 | 53 102 393 | 19 509 593 | 6 113 024 | - | 928 547 | 23 951 | 24 718 021 | 28 384 373 | - | |
| Non PPE | 505 675 953 | - | 97 661 960 | 1 255 000 | 602 082 913 | 2 518 300 | - | 186 421 240 | - | - | 188 939 540 | 413 143 373 | | |
| Investment Properties | 1 170 857 | - | - | - | 1 170 857 | 729 124 | 159 152 | - | - | (4 680) | 883 595 | 287 262 | | |
| Intangible Assets | - | - | - | - | - | - | - | - | - | - | - | - | | |
| Agricultural Assets | 506 846 810 | - | 97 661 960 | 1 255 000 | 603 253 770 | 3 247 424 | 159 152 | 186 421 240 | - | (4 680) | 189 823 135 | 413 430 635 | - | |
| Total | 1492 048 343 | 106 876 298 | 234 479 787 | 2 818 719 | 1830 585 709 | 225 298 930 | 26 145 606 | 186 421 240 | 1 148 245 | (15 607) | 436 701 924 | 1393 883 785 | - | |

MOSSEL BAY MUNICIPALITY

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Appendix C : Segmental analysis of PPE

| | SEGMENTAL ANALYSIS OF PPE (PER MUNICIPAL DEPARTMENT) | | | | | | | | | | | | | Carrying value | |
|-------------------------------------|--|--------------------|--------------------|------------------|---------------------|--------------------------|-------------------|--------------------|------------------|--------------|-------------------|------------------------|---------------------|----------------|--|
| | Cost | | | | | Accumulated depreciation | | | | | | | | | |
| | Opening balance | Under construction | Additions | Disposals | Closing balance | Opening balance | Additions | Impairment losses | Disposals | Depreciation | Impairment losses | Change in Useful lives | Closing balance | | |
| Municipal Manager | 3 225 893 | - | 810 680 | 27 168 | 4 009 405 | 1 474 882 | 278 582 | - | 23 472 | - | - | 27 744 | 1 757 737 | 2 251 668 | |
| Manager Financial Services | 3 541 126 | - | 574 664 | 95 472 | 4 020 319 | 1 619 853 | 766 014 | - | 78 134 | - | (4 385) | 2 303 348 | 1 716 971 | | |
| Manager Technical Services | 1 584 409 | - | 47 244 | 84 591 | 1 547 063 | 786 776 | 331 443 | - | 76 028 | - | (3 493) | 1 038 698 | 508 365 | | |
| Electricity - Administration | 1 969 926 | - | 17 971 | 337 988 | 1 649 909 | 1 163 156 | 230 585 | - | 238 094 | - | 261 | 1 155 908 | 494 001 | | |
| Electricity - Distribution | 114 741 792 | 14 075 455 | 21 911 984 | 115 189 | 150 614 042 | 38 677 895 | 3 688 676 | - | 46 788 | - | (1 163) | 42 318 622 | 108 295 421 | | |
| Manager Corporate Services | 948 678 853 | 2 034 272 | 99 819 648 | 1 395 286 | 1049 137 487 | 30 910 478 | 5 477 898 | 186 421 240 | 107 483 | - | (52 708) | 222 649 425 | 826 488 062 | | |
| Sewerage | 99 809 230 | 17 355 483 | 4 515 450 | 14 818 | 121 665 345 | 33 059 174 | 3 034 377 | - | 10 626 | - | 2 123 | 36 085 049 | 85 580 296 | | |
| Streets and Stormwater | 121 799 969 | 20 328 932 | 49 756 573 | 131 620 | 191 753 854 | 46 038 757 | 3 786 924 | - | 106 703 | - | (363) | 49 718 616 | 142 035 238 | | |
| Water | 127 361 001 | 53 082 156 | 47 344 782 | 144 344 | 227 643 596 | 45 972 372 | 3 860 011 | - | 112 466 | - | (6 400) | 49 713 518 | 177 930 077 | | |
| Cleansing Services | 5 872 659 | - | 1 239 950 | 105 573 | 7 007 036 | 2 996 642 | 499 994 | - | 70 651 | - | (5 953) | 3 420 031 | 3 587 004 | | |
| Health Services | 2 855 660 | - | - | - | 2 855 660 | 917 293 | 94 855 | - | - | - | - | 1 012 148 | 1 843 512 | | |
| Parks, Recreation and Sport Grounds | 19 054 761 | - | 4 733 711 | 161 117 | 23 627 355 | 5 439 400 | 1 322 717 | - | 119 387 | - | 9 886 | 6 652 616 | 16 974 739 | | |
| Beaches, C/ Park and Chalets | 20 645 075 | - | 1 005 029 | 35 928 | 21 614 176 | 10 463 614 | 891 690 | - | 25 111 | - | (516) | 11 329 677 | 10 284 499 | | |
| Fire Services | 5 928 529 | - | 1 132 578 | 49 991 | 7 011 116 | 2 540 937 | 621 081 | - | 35 924 | - | 89 | 3 126 183 | 3 884 933 | | |
| Public Safety | 4 246 982 | - | 443 523 | 39 656 | 4 650 849 | 1 332 864 | 531 433 | - | 31 142 | - | 13 529 | 1 846 685 | 2 804 164 | | |
| Manager Community Services | 10 732 477 | - | 1 125 998 | 79 979 | 11 778 497 | 1 904 836 | 729 324 | - | 66 237 | - | 5 740 | 2 573 662 | 9 204 835 | | |
| TOTAL | 1492 048 343 | 106 876 298 | 234 479 787 | 2 818 719 | 1630 585 709 | 225 298 930 | 26 145 606 | 186 421 240 | 1 148 245 | - | (15 607) | 436 701 924 | 1393 883 785 | | |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix D : Segmental analysis of Statement of Financial Performance (Mun Dept classification)

| SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010 | | | | | | | |
|--|-------------------------|-------------------------|-----------------------------------|--------------------|-------------------------|-------------------------|------|
| MUNICIPAL DEPARTMENT CLASSIFICATION | | | | | | | |
| 2009 | 2009 | 2009 | SEGMENT | 2010 | 2010 | 2010 | 2010 |
| Actual income R | Actual expenditure R | Surplus/ (deficit) R | | Actual income R | Actual expenditure R | Surplus/ (deficit) R | |
| 38 269 284 | 34 004 978 | 4 264 306 | Municipal Manager | 135 891 329 | 234 065 322 | (98 173 993) | |
| 616 608 | 16 417 093 | (15 800 485) | Manager Corporate Services | 1 009 084 | 19 034 917 | (18 025 833) | |
| 210 891 | 2 022 180 | (1 811 289) | Socio Economic Plan and Dev | 185 677 | 2 820 987 | (2 635 309) | |
| 4 190 680 | 11 226 652 | (7 035 972) | Town planning & Building control | 4 576 584 | 13 061 040 | (8 484 457) | |
| 558 819 | 4 169 578 | (3 610 759) | Libraries | 848 499 | 4 943 920 | (4 095 422) | |
| 49 430 510 | 24 406 235 | 25 024 274 | Manager Financial Services | 61 063 660 | 27 576 251 | 33 487 409 | |
| - | 2 777 522 | (2 777 522) | Manager Technical Services | - | 4 090 994 | (4 090 994) | |
| 154 213 111 | 110 100 528 | 44 112 583 | Electricity | 190 099 315 | 127 977 282 | 62 122 033 | |
| 19 870 072 | 26 495 356 | (6 625 284) | Streets | 9 411 393 | 22 554 891 | (13 143 498) | |
| 54 862 512 | 30 135 526 | 24 726 986 | Sewerage | 57 003 669 | 29 930 396 | 27 073 272 | |
| 64 254 116 | 44 303 087 | 19 951 029 | Water | 103 988 970 | 45 226 882 | 58 762 089 | |
| (92 089) | 3 919 362 | (4 011 451) | Manager Community Services | (382 816) | 4 302 210 | (4 685 025) | |
| 5 712 308 | 5 790 236 | (77 927) | Caravan Parks and Chalets | 5 428 661 | 6 194 161 | (765 500) | |
| 95 283 | 399 286 | (304 003) | Cemeteries | 137 303 | 528 676 | (391 373) | |
| 29 125 627 | 30 523 867 | (1 398 240) | Cleansing | 32 602 716 | 26 405 022 | 6 197 694 | |
| 18 787 586 | 17 014 277 | 1 773 309 | Housing | 19 721 608 | 20 948 314 | (1 226 707) | |
| 9 251 380 | 22 290 799 | (13 039 419) | Public Safety and Rescue Services | 7 024 126 | 23 742 984 | (16 718 858) | |
| (592 652) | 20 780 508 | (21 373 161) | Parks and Recreation | 432 745 | 22 225 079 | (21 792 335) | |
| 448 764 047 | 406 777 070 | 41 986 977 | Sub Total | 629 042 522 | 635 629 329 | (6 586 806) | |
| - | - | - | Health (Discontinued operations) | - | - | - | |
| 448 764 047 | 406 777 070 | 41 986 977 | | 629 042 522 | 635 629 329 | (6 586 806) | |
| | 1 369 313 | (1 369 313) | Less inter-dep charges | | 889 265 | (889 265) | |
| 448 764 047 | 405 407 757 | 43 356 290 | Total | 629 042 522 | 634 740 064 | (5 697 542) | |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix D : Segmental analysis of Statement of Financial Performance (GFS classification)

| SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010 | | | | | | | |
|--|----------------------------|-------------------------|----------------------------------|--------------------|----------------------------|-------------------------|--|
| GFS CLASSIFICATION | | | | | | | |
| 2009 | 2009 | 2009 | SEGMENT | 2010 | 2010 | 2010 | |
| Actual income R | Actual expenditure R | Surplus/ (deficit) R | | Actual income R | Actual expenditure R | Surplus/ (deficit) R | |
| 562 013 | 8 488 226 | (7 926 213) | Community & Social Services | 602 986 | 9 774 806 | (9 171 820) | |
| 154 213 111 | 110 100 528 | 44 112 583 | Electricity | 190 099 315 | 127 758 676 | 62 340 639 | |
| 38 269 284 | 35 220 867 | 3 048 417 | Executive & Council | 135 891 329 | 234 381 467 | (98 490 137) | |
| 50 047 118 | 42 383 585 | 7 663 533 | Finance & Admin | 62 072 743 | 50 603 247 | 11 469 496 | |
| 18 787 586 | 17 014 277 | 1 773 309 | Housing | 19 721 608 | 20 948 314 | (1 226 707) | |
| - | 1 376 | (1 376) | Other | - | 1 376 | (1 376) | |
| 4 401 571 | 13 248 832 | (8 847 261) | Planning and Development | 4 762 261 | 15 882 027 | (11 119 766) | |
| 9 251 380 | 22 290 799 | (13 039 419) | Public Safety | 7 024 126 | 23 742 984 | (16 718 858) | |
| 8 173 445 | 23 157 041 | (14 983 595) | Road Transport | 5 301 781 | 19 343 256 | (14 041 475) | |
| 5 119 656 | 26 570 744 | (21 451 088) | Sport and Recreation | 5 861 406 | 28 419 241 | (22 557 835) | |
| 29 125 627 | 30 523 867 | (1 398 240) | Waste Management | 32 602 716 | 26 405 022 | 6 197 694 | |
| 66 559 139 | 33 473 841 | 33 085 298 | Waste Water Management | 61 113 281 | 33 142 032 | 27 971 249 | |
| 64 254 116 | 44 303 087 | 19 951 029 | Water | 103 988 970 | 45 226 882 | 58 762 089 | |
| 448 764 047 | 406 777 070 | 41 986 977 | Sub Total | 629 042 522 | 635 629 329 | (6 586 806) | |
| - | - | - | Health (Discontinued operations) | - | - | - | |
| 448 764 047 | 406 777 070 | 41 986 977 | | 629 042 522 | 635 629 329 | (6 586 806) | |
| | 1 369 313 | (1 369 313) | Less inter-dep charges | | 889 265 | (889 265) | |
| 448 764 047 | 405 407 757 | 43 356 290 | Total | 629 042 522 | 634 740 064 | (5 697 542) | |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix E (1) : Actual VS Budget (Revenue + Expenditure)

| ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010 | | | | | |
|--|--------------------|--------------------|----------------------|----------------------|---|
| REVENUE | 2010 Actual (R) | 2010 Budget (R) | 2010 Variance (R) | 2010 Variance (%) | Explanation of significant variance greater than 10% versus budget |
| Property rates | 54 966 604 | 54 711 495 | 255 109 | 0.5% | |
| Property rates - penalties imposed & collection charges | 2 143 779 | 1 570 000 | 573 779 | 36.5% | An increase in the Arrear Rates and non-payment on long outstanding debtors. |
| Service charges | 283 375 367 | 292 485 594 | (9 110 227) | -3.1% | |
| Rental of facilities & equipment | 8 461 372 | 8 771 727 | (310 355) | -3.5% | |
| Interest earned - external investments | 18 488 515 | 20 947 197 | (2 458 682) | -11.7% | Interest rates decreased drastically from the previous financial years on which the budget was based and the prime interest rate was adjusted by the reserve bank several times during the financial year. |
| Interest earned - unamortised discount | 510 | 510 | (0) | -0.1% | |
| Interest earned - outstanding debtors | 353 715 | 361 845 | (8 130) | -2.2% | |
| Fines | 2 644 440 | 3 069 151 | (424 711) | -13.8% | The Budget for camera fines did not realise during the financial year, as the tender was cancelled due to an investigation on the existing tender. Refer to Note 48 (Events after reporting date) in the 2008/09 Annual Financial Statements for further detail. |
| Actuarial gains | 83 859 | - | 83 859 | | |
| Licences and permits | 4 315 156 | 4 232 546 | 82 610 | 2.0% | |
| Government grants and subsidies | 94 046 805 | 138 388 682 | (44 341 877) | -32.0% | R22.5m budget for Contribution from PetroSA included in this budget, should however be included in Public contributions budget. Spending on the following budgets did not realise during the financial year due to various reasons: R1.5m on Thusong Centre, R8.7m on Housing Topstructures and R6.1m on Energy efficiency & Demand side management project. An amount of R1.2m is budgeted under Grants and subsidies for spending on the D'Almeida Housing Topstructures, which was actually funded out of the Housing Development Fund. If all this is taken into consideration the variance is 7.9% |
| Other income | 124 885 416 | 52 281 975 | 72 603 441 | 138.9% | An amount of R97.7m for the revaluation of Investment property was not budgeted for and is a non-cash entry. The budgeted contributions for R22.3 million from the Accumulated Surplus was not necessary seeing as the municipality had an operating surplus for the 2009/10 year. The contributions from External services was under by an amount R1 657 002. |
| Public contributions, donated/contributed PPE | 25 379 555 | 2 616 490 | 22 763 065 | 870.0% | Budget of R2.6m only for New Connections. Budget of R22.5m from PetroSA for Reverse Osmosis plant budgeted under Grants and Subsidies. Countdown clock received from Provincial government in March 2010 and was therefor not included in budget. If this is taken into account the variance is 0.9%. |
| Total Revenue | 619 145 092 | 579 437 212 | 39 707 880 | 6.9% | |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix E (1) : Actual VS Budget (Revenue + Expenditure)

| ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010 | | | | | |
|--|--------------------|--------------------|----------------------|----------------------|--|
| EXPENDITURE | 2010 Actual (R) | 2010 Budget (R) | 2010 Variance (R) | 2010 Variance (%) | Explanation of significant variance greater than 10% versus budget |
| Employee-related costs | 153 957 930 | 149 428 532 | 4 529 398 | 3.0% | |
| Remuneration of Councillors | 5 781 129 | 6 069 092 | (287 963) | -4.7% | |
| Impairment Costs | 12 513 624 | 13 036 328 | (522 704) | -4.0% | The municipality has written off bad debts to the amount of R10,1m during the 2009/10 year, which contributed to the actual bad debt provision being less than the budget. |
| Collection Costs | 3 362 747 | 3 413 000 | (50 253) | -1.5% | |
| Depreciation | 25 732 514 | 29 843 561 | (4 111 047) | -13.8% | Budgeted for capital projects depreciation that is still under construction at year-end. |
| Amortisation - Intangible Assets | 154 471 | 159 153 | (4 682) | -2.9% | |
| Actuarial loss | 5 340 126 | - | 5 340 126 | | No actuarial loss was projected in the 2008/09 Actuarial report. Also refer to note 6.1.1 (3) of this financial statements for detail on the actuarial loss. |
| Repairs and maintenance | 29 781 327 | 34 358 804 | (4 577 477) | -13.3% | The biggest underspending of the Repairs and Maintenance budget occurred in the Streets & Stormwater Department. R300 000 out of MSIG funding is budgeted for the drafting of a new maintenance plan for infrastructure assets during the 2010/11 budget year. |
| Interest paid | 994 701 | 660 001 | 334 700 | 50.7% | Interest on Provincial Grants not budgeted for. |
| Bulk purchases | 105 502 690 | 114 904 343 | (9 401 653) | -8.2% | |
| Contracted services | 19 495 580 | 21 035 022 | (1 539 442) | -7.3% | |
| Grants and subsidies paid | 2 672 503 | 2 843 324 | (170 821) | -6.0% | |
| General expenses - other | 269 100 082 | 145 775 584 | 123 324 498 | 84.6% | An amount of R186,4m for the revaluation of Investment property was not budgeted for and is a non-cash entry. An amount of R9,5 million was budgeted for the transfers for Land Sales and Ext. services to the reserves, which was transferred through the Statement of Changes in Net Assets. An amount of R36,2 million was provided for a contribution to the CRR in the budget, which was transferred through the Statement of Changes in Net Assets and not as a direct contribution. Expenditure to the amount of R7,8 million for Housing topstructure did not realise. |
| Total Expenditure | 634 389 424 | 521 526 744 | 112 862 680 | 21.6% | |
| Gain on disposal of Property, Plant & Equipment | 9 897 430 | 5 070 000 | 4 827 430 | 95.2% | The R9 million gain is in regards to the selling of Land to Shoprite Checkers in Heiderand. |
| Loss on disposal of Property, Plant & Equipment | (350 640) | (50 000) | (300 640) | 601.3% | |
| Surplus for the year from discontinued operations | - | - | - | | |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | (5 697 542) | 62 930 468 | (68 628 010) | -109.1% | |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix E (2) : Actual VS Budget (Acquisition of PPE)

| ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2010 | | | | | | |
|---|---------------------|------------------------------|---------------------|-----------------------|-----------------------|--|
| | 2010 Actual R | 2010 Total Additions R | 2010 Budget R | 2010 Variance R | 2010 Variance % | Explanation of significant variances greater than 5% versus budget |
| Land and Buildings | | | | | | |
| Land | 507 619 | 507 619 | 660 000 | 152 381 | 23.09% | The project for extension of civic building was cancelled, due to urgency of water drought situation. Only spending for planning phase |
| Buildings | 1 490 521 | 1 490 521 | 2 525 197 | 1 034 676 | 40.97% | |
| | 1 998 140 | 1 998 140 | 3 185 197 | 1 187 057 | 37.27% | |
| Infrastructure | | | | | | |
| Drains | 10 375 814 | 10 375 814 | 10 426 649 | 50 835 | 0.49% | The funding for Energy Efficiency and Demand Side Management Projects was only received in November 2009, delivery periods for material lengthy. |
| Roads | 20 923 562 | 20 923 562 | 27 123 312 | 6 199 750 | 22.86% | |
| Beach improvements | 590 086 | 590 086 | 625 000 | 34 914 | 5.59% | |
| Sewerage Mains & Purif | 58 271 601 | 58 271 601 | 59 794 063 | 1 522 462 | 2.55% | |
| Electricity Mains | 8 343 972 | 8 343 972 | 9 514 044 | 1 170 072 | 12.30% | |
| Electricity peak load equip | 16 493 464 | 16 493 464 | 23 953 739 | 7 460 275 | 31.14% | |
| Water mains & purification | - | - | - | - | - | |
| Reservoirs - Water | 305 718 | 305 718 | 306 000 | 282 | 0.09% | |
| Water meters | 674 441 | 674 441 | 800 000 | 125 559 | 15.69% | |
| Water mains | 13 631 638 | 13 631 638 | 15 692 525 | 2 060 887 | 13.13% | |
| | 129 610 296 | 129 610 296 | 148 235 332 | 18 625 036 | 12.56% | |
| Community Assets | | | | | | |
| Parks & Gardens | 1 459 215 | 1 459 215 | 1 436 900 | (22 315) | -1.55% | R3m for Thusong centre not spent. |
| Libraries | - | - | - | - | - | |
| Recreation grounds | 2 326 497 | 2 326 497 | 2 380 400 | 53 903 | 2.26% | |
| Community buildings | 2 034 272 | 2 034 272 | 5 267 695 | 3 233 423 | 61.38% | |
| | 5 819 984 | 5 819 984 | 9 084 995 | 3 265 011 | 35.94% | |
| Heritage assets | | | | | | |
| Historical buildings | - | - | - | - | - | Historical buildings |
| Painting & art galleries | - | - | - | - | - | |
| | - | - | - | - | - | |
| Total carried forward | 137 428 420 | 137 428 420 | 160 505 524 | 23 077 104 | 14.38% | |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix E (2) : Actual VS Budget (Acquisition of PPE) continued

| ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2010 | | | | | |
|---|---------------------|------------------------------|---------------------|-----------------------|-----------------------|
| | 2010 Actual R | 2010 Total Additions R | 2010 Budget R | 2010 Variance R | 2010 Variance % |
| Total brought forward | 137 428 420 | 137 428 420 | 160 505 524 | 23 077 104 | 14.38% |
| Housing rental stock | | | | | |
| Housing rental 1 | - | - | - | - | |
| Housing rental 2 | - | - | - | - | |
| | - | - | - | - | |
| Leased assets (Infrastructure) | | | | | |
| Leased assets (Infrastructure) | 377 295 | 377 295 | 388 000 | 10 705 | 2.76% |
| | 377 295 | 377 295 | 388 000 | 10 705 | 2.76% |
| Other assets | | | | | |
| Landfill sites | 201 917 | 201 917 | 281 000 | 79 083 | 28.14% |
| Office equipment | 90 795 | 90 795 | 118 500 | 27 705 | 23.38% |
| Furniture & fittings | 3 742 897 | 3 742 897 | 3 135 871 | (607 026) | -19.36% |
| Bins & containers | - | - | - | - | |
| Emergency equipment | 425 260 | 425 260 | 418 849 | (6 411) | -1.53% |
| Motor vehicles | 2 955 101 | 2 955 101 | 3 076 333 | 121 232 | 3.94% |
| Fire engines | 526 150 | 526 150 | 526 150 | 0 | 0.00% |
| Refuse tankers | 778 057 | 778 057 | 1 000 000 | 221 943 | 22.19% |
| Computer equipment | 253 271 | 253 271 | 253 030 | (241) | -0.10% |
| Councillors regalia | - | - | - | - | |
| Conservancy tankers | - | - | - | - | |
| Watercraft | - | - | - | - | |
| | 8 973 446 | 8 973 446 | 8 809 733 | (163 713) | -1.86% |
| Non PPE | | | | | |
| Investment Properties | - | - | - | - | |
| Intangible Assets | - | - | - | - | |
| Agricultural Assets | - | - | - | - | |
| | - | - | - | - | |
| Total | 146 779 161 | 146 779 161 | 169 703 257 | 22 924 096 | 13.51% |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA)

| Name of PROJECT | Name of Organ of State, Municipal Entity or Grant | Opening Balance | DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 | | | | | | | | Grants and Subsidies delayed/withheld | Total | | |
|--|---|-----------------|---|------------|------------|---------|-----------------------|-----------|------------|------------|---------------------------------------|------------|--|--|
| | | | Quarterly Receipts | | | | Quarterly Expenditure | | | | | | | |
| | | | Sept | Dec | March | June | Sept | Dec | March | June | | | | |
| CAPITAL GRANTS & SUBSIDIES | | | | | | | | | | | | | | |
| GLENTANA DRIVE STORM WATER | MIG | 2,386,649 | | | | | 1,555,106 | 831,542 | | | | (0) | | |
| AZIZANI/ZINYOKA INFRASTRUCTURE | Department of Housing | 467,031 | | 884,958 | | | 216,403 | 109,004 | 701,175 | 294,371 | | 31,036 | | |
| UPGRADE SEWER PLANT-FRIEMERSHEIM | MIG | | 864,000 | | 100,000 | | | | | 28,935 | | 935,065 | | |
| BUCKET SYSTEM | MIG | | | | 400,000 | | | | | 377,490 | | 22,510 | | |
| FRIEMERSHEIM NEW BUS ROUTES | MIG | | | 950,000 | | 550,284 | | 75,974 | 148,125 | | | 1,276,185 | | |
| ASIZANI/ZINYOKA MAIN ACCESS ROADS | MIG | | 500,000 | 2,000,000 | | | 58,933 | 394,950 | 1,578,408 | 467,709 | | 0 | | |
| ASIZANI/ZINYOKA WALKWAYS | EPWP | | | | | | | 44,625 | 405,823 | | 450,448 | - | | |
| KB: ENLARGE WATER TREATMENT PLANT | MIG | | 4,750,000 | | | | 3,285,147 | 385,135 | 727,157 | 352,561 | | (0) | | |
| GBR: ENLARGE WATER TREATMENT PLANT | MIG | | 305,718 | | | | | 86,768 | 218,951 | | | - | | |
| UPGRADE BULK WATER LINES AT FRIEMERSHEIM | MIG | 41,345 | 344,997 | | | | 376,365 | | | 9,978 | | 0 | | |
| RECLAMATION WASTE WATER (H/BOS) | DWAF | | | | 16,500,000 | | | | | 3,205,234 | 13,294,766 | - | | |
| POWERTOWN EHS | Department of Housing | 184,993 | | | | | | 42,982 | | | | 142,011 | | |
| GABIONS & PARKING RIVER MOUTH | MIG | 1,300,000 | | | | | | 66,075 | 20,735 | 884,976 | | 328,214 | | |
| STORMWATER : HOOGEKRAAL PROJECT | MIG | 1,722,963 | | | | | 837,542 | 827,681 | 57,740 | | | - | | |
| MULTI-PURPOSE CENTRE - KWANOONOABA | Department of Social Development | 1,536,213 | | | 1,500,000 | 104,831 | | | | | | 3,141,043 | | |
| GREENHAVEN : NEW ROADS : MARIGOLD STREET | MIG | 1,281,113 | | | | | | | | 1,078,343 | | 202,770 | | |
| FURNITURE, TOOLS & EQUIPMENT - WARD COMMITTEES | MSIG | | 57,305 | | | | 8,094 | 36,934 | | 12,277 | | (0) | | |
| ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT | DME | | | 13,000,000 | 2,000,000 | | | 1,087,578 | 4,389,000 | 3,379,032 | | 6,144,390 | | |
| ELECTRIFICATION PROJECTS | NER | | 210,000 | 2,430,000 | 600,000 | | 304,404 | 860,445 | 960,159 | 1,180,159 | 65,167 | (0) | | |
| TOTAL CAPITAL GRANTS | | 8,920,306 | 7,032,021 | 19,264,958 | 21,100,000 | 655,115 | 6,641,994 | 4,849,693 | 12,818,931 | 20,954,173 | 515,615 | 12,223,224 | | |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

| Name of PROJECT | Name of Organ of State, Municipal Entity or Grant | Opening Balance | DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 | | | | | | | | Grants and Subsidies delayed/withheld | Total | | |
|---|---|-----------------|---|------------|-----------|------------|-----------------------|------------|-----------|------------|---------------------------------------|-----------|--|--|
| | | | Quarterly Receipts | | | | Quarterly Expenditure | | | | | | | |
| | | | Sept | Dec | March | June | Sept | Dec | March | June | | | | |
| OPERATIONAL GRANTS & SUBSIDIES | | | | | | | | | | | | | | |
| KWA/ELANGENI - PHP PROJECT (TOPSTRUCTURES) | Department of Housing | 3,227,146 | | | | | 1,457,044 | | | 1,770,102 | | (0) | | |
| GBR/WOLWEDANS PROJECT (TOPSTRUCTURES) | Department of Housing | 1,463,667 | | 4,919,773 | 4,101,644 | 2,806,176 | 1,301,444 | 2,742,585 | 2,274,878 | 5,860,550 | | 911,803 | | |
| LGWSETA SKILLS DEVELOPMENT | SETA | 255,128 | 84,331 | | 306,914 | 172,180 | 69,048 | 270,410 | 191,757 | 217,414 | | 69,923 | | |
| FINANCE MANAGEMENT GRANT | NATIONAL | 254,369 | 750,000 | | | | 120,000 | 334,362 | 120,000 | 279,291 | | 150,715 | | |
| EQUITABLE SHARE | NATIONAL | | 10,882,128 | 8,705,703 | | 6,529,277 | | 11,988,581 | 3,457,038 | 10,671,490 | | - | | |
| ADDITIONAL EQUITABLE SHARE - ELECTRICITY BULK PURCHASES | NATIONAL | | | | 561,317 | | | | 561,317 | | | - | | |
| SUBSIDY NEWS LETTERS - M-Bay | PAWC - Culture Affairs & Sport | | | | 1,383 | 1,697 | 1,098 | 1,314 | 76 | 593 | | - | | |
| SUBSIDY NEWS LETTERS - D'Almeida | PAWC - Culture Affairs & Sport | | | | 1,487 | 1,559 | 477 | 1,010 | 492 | 1,067 | | 0 | | |
| SUBSIDY NEWS LETTERS - G/Brak | PAWC - Culture Affairs & Sport | | | | 929 | 1,090 | 1,231 | | 755 | 32 | | (0) | | |
| SUBSIDY NEWS LETTERS - Greenhaven | PAWC - Culture Affairs & Sport | | | | 303 | 1,090 | | | 420 | 973 | | - | | |
| SUBSIDY NEWS LETTERS - Hartenbos | PAWC - Culture Affairs & Sport | | | | 678 | 519 | 266 | 294 | 222 | 415 | | (0) | | |
| SUBSIDY NEWS LETTERS - Kwanonqaba | PAWC - Culture Affairs & Sport | | | | 1,148 | 1,559 | 449 | 699 | 492 | 1,067 | | - | | |
| SUBSIDY MAIN ROADS | PAWC | | | | | | | | | | | - | | |
| OPERATING BALANCE PAWC | Department of Housing | | | | | 3,520,851 | | | | | 3,520,851 | - | | |
| HOME OWNERS EDUCATION | Department of Housing | 30,943 | 96,000 | | 50,000 | 1,446 | 84,401 | 34,688 | 12,112 | 13,896 | | 33,292 | | |
| PROVINCIAL MANAGEMENT SUPPORT GRANT | PAWC | | | | 250,000 | 2,268 | | | 223,946 | 26,054 | | 2,268 | | |
| COMMUNITY DEVELOPMENT WORKERS | Department of Social Services | | | | 120,000 | 1,817 | | | | 6,800 | | 115,017 | | |
| MUNICIPAL SYSTEMS IMPROVEMENT GRANT | PAWC | 64,779 | 342,695 | | | | | 8,447 | 23,574 | 250,525 | | 124,927 | | |
| REPAIR WATER LEAKAGES | Masibambani | 79,807 | 86,548 | | | | | | 14,301 | 62,670 | | 89,185 | | |
| TEMPORARY CASUAL STAFF - LIBRARIES | PAWC - Culture Affairs & Sport | | 168,000 | 188,000 | 463,000 | | 204,277 | 198,088 | 202,896 | 193,939 | | (0) | | |
| TOTAL OPERATING GRANTS | | 5,375,636 | 12,409,702 | 13,793,476 | 5,856,802 | 12,841,527 | 3,239,736 | 15,580,476 | 8,854,177 | 21,107,625 | - | 1,497,129 | | |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

| DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 | | | | | | | | | | | | |
|---|---|-------------------|--------------------|-------------------|-------------------|-------------------|-----------------------|-------------------|-------------------|-------------------|---------------------------------------|-------------------|
| Name of PROJECT | Name of Organ of State, Municipal Entity or Grant | Opening Balance | Quarterly Receipts | | | | Quarterly Expenditure | | | | Grants and Subsidies delayed/withheld | Total |
| | | | Sept | Dec | March | June | Sept | Dec | March | June | | |
| PUBLIC CONTRIBUTIONS & DONATED PPE | | | | | | | | | | | | |
| RECLAMATION WASTE WATER (H/BOS) | PETROSA | | | | | | | | | 22,500,000 | 22,500,000 | - |
| FURNITURE, TOOLS & EQUIPMENT - DONATED COUNTDOWN CLOCK | PAWC | | | | 500,000 | | | | | 500,000 | | - |
| FURNITURE, TOOLS & EQUIPMENT - DONATED URN | Old Mutual | | | | | 800 | | | | 800 | | - |
| ABLUTION BLOCK-SOCCER FACILITY DONATED | PETROSA | | | 519,667 | | | | 519,667 | | | | - |
| RELIEF CHARITABLE FUND | Public Contribution | 65,885 | 3,010 | 3,270 | 7,500 | 30,000 | 17,000 | 29,501 | 15,000 | 15,000 | | 33,164 |
| YOUTH DAY DONATIONS | PETROSA | | 2,000 | | | 25,000 | 2,000 | | | 25,000 | | - |
| TOTAL PUBLIC CONTR. & DONATED PPE | | 65,885 | 5,010 | 522,937 | 507,500 | 55,800 | 19,000 | 549,168 | 515,000 | 22,540,800 | 22,500,000 | 33,164 |
| TOTAL GRANTS, SUBSIDIES, PUBLIC CONTRIBUTIONS & DONATED PPE | | 14,361,827 | 19,446,733 | 33,581,371 | 27,466,302 | 13,552,442 | 9,900,730 | 20,979,337 | 22,188,108 | 64,602,598 | 23,015,615 | 13,753,518 |

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

| DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 | | | | | | | | | | | | |
|--|---|-----------------|--------------------|------------|------------|------------|-----------------------|------------|------------|------------|---------------------------------------|------------|
| Name of VOTE | Name of Organ of State, Municipal Entity or Grant | Opening Balance | Quarterly Receipts | | | | Quarterly Expenditure | | | | Grants and Subsidies delayed/withheld | Total |
| | | | Sept | Dec | March | June | Sept | Dec | March | June | | |
| ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per vote) | | | | | | | | | | | | |
| MUNICIPAL MANAGER | | 65,885 | 10,885,138 | 8,708,973 | 507,500 | 10,080,128 | 17,000 | 12,018,082 | 3,972,038 | 14,207,341 | - | 33,164 |
| CORPORATE SERVICES | | 1,856,117 | 486,331 | - | 2,176,914 | 306,095 | 79,141 | 315,791 | 439,278 | 538,070 | - | 3,453,178 |
| FINANCIAL SERVICES | | 254,369 | 750,000 | - | - | 800 | 120,000 | 334,362 | 120,000 | 280,091 | - | 150,715 |
| CIVIL SERVICES | | 6,811,677 | 6,851,264 | 2,950,000 | 17,000,000 | 550,284 | 6,113,093 | 2,712,750 | 6,782,897 | 38,651,003 | 22,950,448 | 2,853,929 |
| COMMUNITY SERVICES | | - | 168,000 | 687,667 | 468,928 | 7,512 | 207,800 | 721,071 | 205,152 | 198,084 | - | (0) |
| ELECTRO-MECHANICAL SERVICES | | - | 210,000 | 15,430,000 | 3,161,317 | - | 304,404 | 1,948,023 | 5,910,477 | 4,559,191 | 65,167 | 6,144,390 |
| DEVELOPMENT PLANNING & HOUSING | | 5,373,779 | 96,000 | 5,804,731 | 4,151,644 | 2,607,622 | 3,059,291 | 2,929,260 | 4,758,267 | 6,168,816 | - | 1,118,142 |
| TOTAL PUBLIC CONTR. & DONATED PPE | | 14,361,827 | 19,446,733 | 33,581,371 | 27,466,302 | 13,552,442 | 9,900,730 | 20,979,337 | 22,188,108 | 64,602,598 | 23,015,615 | 13,753,518 |
| DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 | | | | | | | | | | | | |
| Name of GRANT | Name of Organ of State, Municipal Entity or Grant | Opening Balance | Quarterly Receipts | | | | Quarterly Expenditure | | | | Grants and Subsidies delayed/withheld | Total |
| | | | Sept | Dec | March | June | Sept | Dec | March | June | | |
| ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per grant) | | | | | | | | | | | | |
| EQUITABLE SHARE | NATIONAL | - | 10,882,128 | 8,705,703 | 561,317 | 6,529,277 | - | 11,988,581 | 4,018,355 | 10,671,490 | - | - |
| FINANCE MANAGEMENT GRANT | NATIONAL | 254,369 | 750,000 | - | - | - | 120,000 | 334,362 | 120,000 | 279,291 | - | 150,715 |
| MUNICIPAL SYSTEMS IMPROVEMENT GRANT | NATIONAL | 64,779 | 400,000 | - | - | - | 8,094 | 45,381 | 23,574 | 262,803 | - | 124,927 |
| MUNICIPAL INFRASTRUCTURE GRANT | NATIONAL | 6,732,070 | 6,764,716 | 2,950,000 | 500,000 | 550,284 | 6,113,093 | 2,668,125 | 3,157,540 | 2,793,568 | - | 2,764,744 |
| DROUGHT RELIEF GRANT | NATIONAL | - | - | - | 16,500,000 | - | - | - | 3,205,234 | 13,294,766 | - | - |
| INTEGRATED HOUSING AND HUMAN SETTLEMENT & DEVELOPMENT GRANT | Department of Housing | 5,373,779 | 96,000 | 5,804,731 | 4,151,644 | 2,607,622 | 3,059,291 | 2,929,260 | 4,758,267 | 6,168,816 | - | 1,118,142 |
| MAINTENANCE OF PROCLAIMED ROADS | PAWC | - | - | - | - | - | - | - | - | - | - | - |
| EXTENDED PUBLIC WORKS PROGRAMME | PAWC | - | - | - | - | - | - | 44,625 | 405,823 | - | 450,448 | - |
| LIBRARY SERVICES | PAWC - Culture Affairs & Sport | - | 168,000 | 168,000 | 463,000 | - | 204,277 | 198,088 | 202,696 | 193,939 | - | (0) |
| ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT | Department of Mineral & Energy | - | - | 13,000,000 | 2,000,000 | - | - | 1,087,578 | 4,389,000 | 3,379,032 | - | 6,144,390 |
| MULTI-PURPOSE CENTRE | Department of Social Development | 1,536,213 | - | - | 1,500,000 | 104,831 | - | - | - | - | - | 3,141,043 |
| PROVINCIAL MANAGEMENT SUPPORT GRANT | PAWC | - | - | - | 250,000 | 2,268 | - | - | 223,946 | 26,054 | - | 2,268 |
| COMMUNITY DEVELOPMENT WORKERS | Department of Social Services | - | - | - | 120,000 | 1,817 | - | - | - | 6,800 | - | 115,017 |
| LGWSETA SKILLS DEVELOPMENT | LGWSETA | 255,126 | 84,331 | - | 306,914 | 172,180 | 69,048 | 270,410 | 191,757 | 217,414 | - | 69,923 |
| ELECTRIFICATION PROJECTS | NER | - | 210,000 | 2,430,000 | 600,000 | - | 304,404 | 860,445 | 960,159 | 1,180,159 | 65,167 | (0) |
| MASIBAMBANI PROJECT | NATIONAL | 79,607 | 86,548 | - | - | - | - | - | 14,301 | 62,670 | - | 89,185 |
| DONATED PPE | | - | - | 519,667 | 500,000 | 800 | - | 519,667 | 500,000 | 800 | - | - |
| OPERATING BALANCE PAWC | Department of Housing | - | - | - | - | 3,520,851 | - | - | - | 3,520,851 | - | - |
| PUBLIC CONTRIBUTIONS AND OTHER SUBSIDIES | | 65,885 | 5,010 | 3,270 | 13,428 | 62,512 | 22,522 | 32,817 | 17,456 | 22,544,146 | 22,500,000 | 33,164 |
| TOTAL GRANTS | | 14,361,827 | 19,446,733 | 33,581,371 | 27,466,302 | 13,552,442 | 9,900,730 | 20,979,337 | 22,188,108 | 64,602,598 | 23,015,615 | 13,753,518 |